Glory Flame Holdings Limited

朝威控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8059

Annual Report **2017**


ZHI HUA CLEAN ENERGY
智华清洁能源

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Glory Flame Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Che Xiaoyan *(Chairman and Chief Executive Officer)*
Mr. Li Shunmin *(Vice Chairman)*
Mr. Man Wai Lun
Ms. Jiao Fei
Mr. Guan Jincheng

Non-executive Directors

Mr. Lin Hongtong

Independent Non-executive Directors

Mr. Chan Kam Wah
Mr. Bai Honghai
Mr. Li An Sheng
Mr. Chen Yongquan
Mr. Chung Yuk Lun

AUDIT COMMITTEE

Mr. Chan Kam Wah *(Chairman)*
Mr. Li An Sheng
Mr. Bai Honghai

REMUNERATION COMMITTEE

Mr. Li An Sheng *(Chairman)*
Mr. Guan Jincheng
Mr. Chen Yongquan

NOMINATION COMMITTEE

Ms. Che Xiaoyan *(Chairman)*
Mr. Li An Sheng
Mr. Chen Yongquan

COMPANY SECRETARY

Mr. Cheung Wai Kee

COMPLIANCE OFFICER

Mr. Man Wai Lun

AUTHORISED REPRESENTATIVES

Ms. Che Xiaoyan
Mr. Cheung Wai Kee

REGISTERED OFFICE

Clifton House
PO Box 1350
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3513, Tower 6
The Gateway, Harbour City
9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

HONG KONG LEGAL ADVISERS

Troutman Sanders
Loong & Yeung

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estern Trust (Cayman) Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Bank of Communications Limited
Nanyang Commercial Bank Limited
Hang Seng Bank Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

STOCK CODE

8059

COMPANY'S WEBSITE

www.gf-holdings.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

The board (the "**Board**") of directors (the "**Directors**") Glory Flame Holdings Limited (the "**Company**"), I am honoured to present this annual report of the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2017 ("**FY17**" or the "**Reporting Period**").

During the year under review, the Group's revenue increased by HK$54.3 million or 42.1% to HK$183.3 million. The increase was primarily attributable to an increase of HK$62.4 million in revenue generated from our trading business, such as LED light source for decoration and clean coal. The Group also recorded a profit of HK$18.1 million attributable to the shareholders of the Company (the "**Shareholders**") as compared to a loss of HK$68.1 million attributable to the shareholders of the Company in FY16.

The Group adheres to its core philosophy of "Building a Green World" and upholds the corporate spirit of "Sincerity, Health, Innovation, Enjoy". The Group was implementing a strategy of exploring the opportunities in the Greater China region and refining the corporate position to pursuing the mission of "the healthier future, the better life". The Group was initiating and developing the four core business segments towards such goals, which are 1) Construction, 2) Agricultural equipment, 3) Trading business and 4) Financial services. The Group made progress to the development of the businesses as follows:

Prefabrication Construction System (Green construction)

In January 2018, through capital increase and shares expansion, the Company acquired an approximately 51% shareholding in Huizhou Precast Building Materials Co. Ltd ("**Huizhou Precast**"), which is principally engaged in the production and research and development of prefabricated precast concrete components and glassfibre-reinforced cement components. Huizhou Precast also engages in sales and product installation guidance activities. Prefabricated precast concrete ("**PC**") components for buildings are fabricated as precast shapes in factories using a standardised mechanical process, and are an important force in the modernisation of the construction industry. PC components can be applied to virtually any type of building – from villas and rural housing to multi-floor and high-rise structures – for a wide client base including residential, hotel, office, factory and school projects. Since 2016, the PRC has actively promoted development of prefabricated buildings, with state and local governments issuing relevant catalytic policies and offering subsidies for green and prefabricated buildings, all of which have helped to expand the market for prefabricated construction. In March 2017, the Ministry of Housing and Urban-Rural Development issued its Action Programme of Prefabricated Construction in 13th Five-Year Plan which stated that "prefabricated buildings will account for 15% or more of new buildings nationally by 2020, a proportion which will rise above 20% in key areas, above 15% in areas with active application, and above 10% in areas undergoing promotion". The products of Huizhou Precast target at cities such as Shenzhen, Huizhou, Dongguan and Hong Kong, with an estimated value of the entire construction industry of over RMB400 billion and robust demands in self-built homes. Our Directors have quickly seized on opportunities arising from the "modernisation of the construction industry" market trend in pursuit of stable development for the Group.

Agricultural Equipment

Since the second half of 2016, the Company has been developing an ecological LED cultivation cabinet system through its investment in Shenxhen Yipingmi Agricultural Science and Technology Development Ltd., Co. ("**Yipingmi**"). Since its establishment, Yipingmi has achieved encouraging results in research in plant factories, with over 30 patents obtaining verification from "SGS". With a highly motivated, efficiently organised team of researchers who work independently and eager to help and learn from each other with high working efficiency and clear task allocation, Yipingmi is surely an enterprise driven by organic growth. A paper prepared by Yipingmi researchers – A New Theme in the Field of Innovative Agricultural Science and Technology in China-The Development Trend and Cases of Plant Factories* (中國農業科技創新領域的一棵奇葩－植物工廠的發展態勢和案例) – was awarded first prize for "Outstanding Papers" by the 2017 Forum. During the year, Yipingmi participated in the "China Safe Food Industry Alliance Shenzhen Committee Ceremony cum Liangxin's First Safe Food Tasting"* (中國安全食品產業聯盟深圳籌委會啟動儀式暨糧信首屆安全食品甄選品鑒會) hosted by the China Safe Food Industry Alliance. In particular, the fresh green vegetables cultivated by Yipingmi received the most attractions. Innovative vegetable products, technologies, management and an innovative business model have been the driving force for the sustainable development of Yipingmi. By applying its third generation planting machine and other professional technologies, Yipingmi has cultivated environmental-friendly foods and gained wide recognition for excellence.

In November 2017, Yipingmi was invited to attend the 24th China Yangling Agricultural Hi-Tech Fair ("**Agricultural Hi-Tech Fair**") jointly organised by the Ministry of Science and Technology, Ministry of Commerce, Ministry of Agriculture, the State Forestry Administration, the State Intellectual Property Office, the Chinese Academy of Sciences and the Shaanxi Provincial People's Government. The family-styled plant factory developed by Yipingmi has gained coverage from Shaanxi TV, Yangling TV and other media channels. Yipingmi's family-style plant factory has put in practice the idea of homemade fresh vegetables in practice, and the public can now easily enjoy growing hydroponic vegetables at home.

CHAIRMAN'S STATEMENT (continued)

For the sake of sharing the healthy and fresh vegetables grown by the plant factories with consumers, the Company always pays attention to the local agricultural industry and gets the foothold in the healthy agricultural sector through a green and new sustainable way. The Company wishes to expand Yipingmi's high quality product e-commerce platform, setting up a closed supply chain system with plant factories as its basis, and utilising offline hotpot bars and restaurants as a platform to share healthy food. The Group will conduct trial runs with this concept in Shenzhen and open hotpot bars across the PRC, with the ultimate goal of monitoring and controlling the industrial food quality and building a "green world" of food and beverage caterers under the "Yipingmi" brandname.

Clean Coal Trading

In August 2017, the Group acquired a 51% shareholding in Ordos City Zhi Hua Clean Energy Ltd* (鄂爾多斯市智華清潔能源有限公司) ("Zhi Hua"), which is mainly engaged in trading energy resources such as clean coal in the PRC domestic market. The PRC's coal resources are relatively rich, enabling it to be one of the few countries in the world that use coal as their main energy source. Clean coal is going to play a significant role in the PRC's development in future, offering a means to alleviate the environmental pollution caused by burning coal and thus reduce reliance on imported oil while improving the country's energy sustainability. As a major component of the Gorup's green business, Zhi Hua is exploring business orders in the clean coal industry while endeavouring to exploit new businesses related to mineral resources such as electricity, aluminium and quartz sand. Also, Zhi Hua is integrating resources related to the supply chain as part of its larger effort to implement the information flow, logistics and cash; optimising the structure of the supply chain management, and to provide an effective and continuous strategy of supply chain management strategies for major downstream enterprises within its chain.

Prospects

The PRC's market is constantly changing, making it imperative that we act promptly to grasp every business opportunity it offers. We will continue to meet this challenge while striving to achieve better performance in our projects and create higher returns for our clients. In this regard, we endeavour to plan development strategies for "green building and green life" with an emphasis on quality, innovation and effectiveness. The Group will fully leverage its advantages and development opportunities to earn its place as a prominent player in the Greater China market.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank our Directors, our experienced management team, our dedicated employees, and our professional legal and accounting teams for their unwavering support and commitment. We would also like to express appreciation for the continuing support and trust of our shareholders, clients, suppliers, financial experts, and of governmental authorities.

Che Xiaoyan
Chairperson

Hong Kong, 29 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The principal activity of the Company is investment holding. For the year ended 31 December 2017 ("**the Reporting Period**" or "**FY2017**"), the Group mainly engages in (i) provision of construction works and building materials supply (the "**Construction**"), (ii) development and sales of agricultural equipment (the "**Agricultural Equipment**") and (iii) trading of LED products and clean coal (the "**Trading Business**"), and (iv) provision of financial services (the "**Financial Services**").

Construction

(a) Concrete demolition services and construction works

Concrete demolition industry is one of the specific areas of the construction industry in Hong Kong. The Group's concrete demolition services were mainly concerned with the removal of pieces or section of concrete from concrete structures by applying a variety of methods, such as core drilling, sawing, bursting and crushing, etc. Concrete demolition services are usually performed by subcontractors in (i) general building works, especially for alteration and redevelopment projects; and (ii) civil engineering works. Concrete demolition work can be applied in various situations, such as the construction of underground utilities, creation of openings for elevator, door, and window installation, redevelopment of buildings, roads, tunnels and underground facilities, removal of concrete during building construction and the preparation of road surfaces.

The customers of the Group's Concrete demolition services mainly include main contractors and subcontractors of various different types of construction and civil engineering projects in Hong Kong. Such customers can generally be categorized into public sector projects' customers and private sector projects' customers. Public sector projects refer to projects of which the main contractors are employed by Government departments or statutory bodies in Hong Kong, which private sector projects refer to projects that are no public sector projects.

In addition to the provision of concrete demolition services, the Group received a subcontracting contract for the wet trades package and brickwork, including tiles finishing, screeding, granolithic, plastering, blockworks, etc for walls in Sung Wong Toi and To Kwa Wan Stations (Shatin to Central Link) during the Reporting Period. Total total sum of the sub-contracting is approximately HK$71.0 million.

(b) Pre-stressed concrete piles

Pre-stressed concrete pile is one of the major types of foundation products used in the building and construction industry. It is typically used as part of foundation for building and infrastructure projects that are built on an unstable or soft layer of land that requires long and deep foundations in order to reach the underlying stable rock layer. Pre-stressed concrete piles support the building and infrastructure structures by transferring the heavy loads and forces exerted by such structures onto the underlying stable rock layer.

During the Reporting Period, the Group engaged in trading of the pre-stressed concrete piles in order to fulfil the outstanding sales orders of Zhangzhou Tapai Concrete Components Company Limited* (漳州塔牌混凝土構件有限公司), that was one of the conditions of the business transfer agreement dated 10 October 2016. In this regard, it generated revenue of approximately HK$8.6 million.

As at 31 December 2017, the Group did not commence the manufacturing of pre-stressed concrete piles, due to the pollutant discharge permit not yet obtained for the manufacturing space in its own name.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Due to the uncertainty as to when the pollutant discharge permit will be obtained, which might affect the operation of the business of pre-stressed concrete piles, the Company entered into a sale and purchase agreement to dispose of the 51% of the entire issued share capital of Mansion Point Internation Limited ("**Mansion Point**") on 13 March 2018.

Agricultural Equipment

The Group developed the ecological LED cultivation cabinet system using a green technology and a tailored nutrient solution to grow hydroponic vegetables and planting racks. In the PRC, the people who live in the cities are increasingly demanding pesticide-free, clean and fresh food. The partly automated farming at home may be a feature of healthy lifestyle in the future. During the Reporting Period, the Group integrated the different marketing strategies to promote the mini LED cultivation cabinet, such as exhibition with presentations, media advertising, distributing the leaflet and brochures, etc. The Group expects that the hydroponics market will grow at a relatively fast pace, that is an opportunity for the Group to get the foothold in the hydroponics market. The Group expects to launch the mini LED cultivation cabinet to the PRC market in 2018.

During the Reporting Period, the Group commenced sales of planting racks through the distributors which supplied of planting rack to the restaurants and certain community where set up a site of planting and growing the fresh vegetable for themselves.

Trading Business

(a) Light-emitting diode ("LED") light sources for decoration

LED light sources are considered to be a green technology. They are more energy efficient than most of the conventional light sources. There is a comparative advantage in terms of energy saving efficiency and product durability. In addition, LED does not contain hazardous material such as toxic mercury. The growth of LED lighting market is due to increasing the consciousness of environmental protection by adoption of energy efficient lighting solution. The use of LED lighting sources penetrates to the residential, commercial and industrial lighting applications.

During the Reporting Period, the Group and a major United States customer mutually agreed to terminate the sales contract after the fulfilment of the rest of the agreed sales orders, due to being unable to reach the agreement of the terms of the contract, therefore, the Group expects the sales of LED light sources for decoration will decrease in the coming year. In the meantime, the Group is also exploring new distribution channel and new customers in the PRC for the LED light sources for decoration.

(b) Clean coal

During the Reporting Period, the Group acquired 51% of shareholding in Ordos City Zhi Hua Clean Energy Ltd* (鄂爾多斯市智華清潔能源有限公司) ("**Zhi Hua**"), which is mainly engaged in the trading Inner Mongolia coal energy in the PRC. Its coal resource is from the clean coal in Ordos City, the PRC. The clean coal technology collectively represents the new technologies of process, burning, transforming and pollution control, etc. in the whole process from development to utilization of coal that aim to reduce pollution and emission and enhance the utilization efficiency. The Group commenced the trading of clean coal through Zhi Hua in the PRC during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The development of clean coal is an established national policy of the PRC. The coal resource in the PRC is relatively rich and the PRC is one of the few countries in the world that uses coal as the main energy source. The clean coal industry will continue to play an important role in the energy sustainability of the PRC and will be an important direction of development in the coming 20 years. Such development will be significant for the PRC to ease the environment pollution led by burning coal and reduce the reliance on imported oil. The clean coal industry can be viewed as facing new market demand and development opportunities in the PRC.

Financial Services

In view of the stabilization of the domestic economy in the PRC, the demand for the factoring services to finance the enterprises' working capital increase. The Group recognizes there is an opportunity to enter the factoring service business in the PRC. On 29 December 2017, the Group entered into the reverse revolving factoring facility agreement with Linzhou Heavy Machinery Group Co. Ltd. ("**Linzhou Heavy Machinery**") which is a company established in the PRC and listed on Shenzhen Stock Exchange, pursuant to which the Group agreed to provide factoring services to Linzhou Heavy Machinery for a fixed term of two years commencing from 29 December 2017, with the credit limit of RMB45.0 million, at the net interest rate of 11.3%. As at 31 December 2017, there is no drawdown under the reverse revolving factoring facility from the customers and no revenue from invoicing factoring services were generated during the Reporting Period.

During the Reporting Period, the Group commenced a new business segment in relation to the financial services, including invoice factoring services and insurance brokerage and consultancy services.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately HK$54.3 million or 42.1% from approximately HK$129.0 million for the year ended 31 December 2016 (the "**FY16**") to approximately HK$183.3 million for the Reporting Period. The analysis of revenue was shown as follows:

Revenue by nature

	FY17 HK$'000	FY16 HK$'000
Construction		
– Provision of construction works	71,835	87,660
– Manufacturing and trading of prestressed high strength concrete pile	8,581	9,586
Agricultural Equipment		
– Trading of agricultural equipment	9,110	644
Trading Business		
– Trading of LED light sources for decoration	85,462	31,074
– Trading of clean coal	8,057	–
Financial Services		
– Provision of financial services	238	–
	183,283	128,964

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Provision of construction works

For the Reporting Period, the revenue attributable to the provision of construction works was approximately HK$71.8 million, representing a decrease of approximately 18.1% as compared with approximately HK$87.7 million of FY16. The decrease was attributable to a decrease of HK$17.7 million in revenue from the provision for concrete demolition services, resulting from the increasing price competition in certain concrete demolition jobs and a decrease in the amount of jobs undertaken by the Group.

During the Reporting Period, the Group received a subcontracting contract of the wet trades package and brickwork for walls in Shatin to Central link with the contract sum of HK$71.0 million. The Group recorded the revenue from the sub-contracting works of HK$1.8 million in FY17.

Manufacturing and trading of prestressed high strength concrete pile

For the Reporting Period, the revenue attributable to the trading of prestressed concrete pile decreased by HK$1.0 million from HK$9.6 million in FY16 to HK$8.6 million in FY17. The revenue for both years was generated by trading of the prestressed concrete piles for the outstanding sales orders of Zhangzhou Tapai Concrete Components Company Limited (漳州塔牌混凝土構件有限公司), which is a part of conditions of the business transfer agreement dated 10 October 2016.

During FY17, as the pollutant discharge permit has not yet obtained for the manufacturing space in the name of the Group, there is no revenue generated for manufacturing of prestressed concrete piles. On 13 March 2018, the Group entered in a sales and purchase agreement to dispose of the business of manufacturing and sales of prestressed concrete piles.

Trading of LED light sources for decoration

For the Reporting Period, the revenue attributable to LED light sources for decoration increased by HK$54.4 million from HK$31.1 million in FY16 to HK$85.5 million in FY17. The increase was mainly due to an increase in purchase orders received from new customers during the Reporting Period.

Trading of Agricultural Equipment

Revenue attributable to trading of Agricultural Equipment increased by approximately HK$8.5 million from HK$0.6 million in FY16 to HK$9.1 million in the Reporting Period. The increase was mainly due to an increase in sales of the planting rack which was used in the restaurants to farm fresh vegetables to supply for their customers.

During the Reporting Period, the Group implemented a series of advertising and promotional plan to market the ecological LED cultivation cabinet system, including participating exhibition, advertisement in media and magazine issuing research paper, distributing the leaflet, etc. The Group incurred a marketing cost of approximately HK$16.2 million. The Group expects the Group will launch the sales of the products using ecological LED cultivation cabinet system in 2018.

Trading of clean coal

Revenue attributable to trading of clean coal was approximately HK$8.1 million in the Reporting Period. The Group purchased the clean coal in Inner Mongolia and then delivered by rail to the coastal city in the PRC for the customers. The global demand of clean coal increased in FY17. The Group expects the sales of clean coal will be one of key revenue contributions for the Group in the coming future.

Gross Profit and Gross Profit Margin

Our Group's gross profit increased from approximately HK$27.5 million in FY16 to approximately HK$28.7 million for the Reporting Period, representing an increase of approximately 4.4%. Such increase was mainly due to an increase of approximately HK$9.0 million in gross profit attributable to the trading of LED products and agricultural equipment. resulting from an increase in its total sales amounts and an increase in the gross profit margin on the trading business during the Reporting Period. However. the gross profit attributable to the provision of concrete demolition services decreased by HK$8.0 million from HK$26.4 million in FY16 to HK$18.4 million in FY17, resulting from an increase in labour cost for workers.

Our Group's gross profit margin decreased from 21.3% in FY16 to 15.6% in FY17. The decrease was mainly due to a decrease in the gross profit margin of the provision of concrete demolition services and an increase in sales proportion for the trading business which is lower gross profit margin in overall.

Administrative and Other Operating Expenses

Our Group's general and administrative expenses increased by approximately HK$28.7 to approximately HK$70.6 million for the Reporting Period from approximately HK$41.9 million in FY16. Such increase was mainly due to (i) an increase of HK$16.2 million in marketing and promoting expenses for ecological LED cultivation cabinet system; (ii) a write-off of HK$3.4 million in property, plant and equipment and (iii) an increase of HK$2.4 million in legal and professional fee, mainly resulting from the legal cost for the legal proceedings during the Reporting Period.

Gain/(Loss) on financial assets at fair value through profit or loss

During FY17, the Group assigned an additional internal fund to make a short term investment in the securities listed in Hong Kong amidst the positive atmosphere and market sentiments in the stock market in Hong Kong. The Group records a gain of HK$51.4 million on financial asset at fair value through profit or loss, of which HK$20.4 million was a net realized gain on sales of listed securities and HK$31.0 million was fair value gain, net, on the listed securities, as compared with a loss of HK$8.7 million on disposal of financial assets at fair value through profit or loss.

Profit/(Loss) Attributable to Owners of the Company

Our Group's profit attributable to owners of the Company was approximately HK$18.1 million (2016: loss attributable to owners of the Company of approximately HK$68.1 million), mainly due to a combined effect of (i) an increase of HK$1.2 million in gross profit of the Group as a result of an increase in total revenue; (ii) a gain of HK$51.4 million on financial assets at fair value through profit or loss as compared to a loss of HK$8.7 million in FY16; (iii) a reversal of HK$28.0 million of impairment losses on trade and retention receivables; (iv) a fair value gain of HK$21.9 million on contingent consideration recognized in the profit and loss, resulting from none of second and third instalments of the consideration need to be settled for the acquisition of the 51% of the total share capital of Mansion Point pursuant to the disposal agreement dated 13 March 2018; (v) an impairment loss of goodwill of HK$21.9 million in relation to the disposal of 51% of total share capital of Mansion Point; (vi) an increase of HK$6.1 million in share-based payments as staff cost and consultancy expenses; and (vii) an increase of HK$28.7 million in administrative and other operating expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Use of Proceeds of Initial Public Offerings

The net proceeds from the placing of the shares of the Company (the "**Share(s)**") in connection with the listing (the "**Listing**") was approximately HK$ 31.2 million. During the period from 15 August 2014 (the "**Listing Date**") to 31 December 2017 (the "**Reporting Period**"), the net proceeds from the Listing were applied as follows:

	Planned use of proceeds as stated in the Prospectus HK$ million	**Actual use of proceeds up to 31 December 2017** HK$ million
Enhancing machinery and equipment	16.4	7.1
Strengthening manpower	4.6	3.1
Increasing marketing efforts	1.7	1.7
Repayment of bank borrowings	5.5	5.5

The business objectives, future plans and planned use of proceeds as stated in the Company's prospectus dated 7 August 2014 (the "**Prospectus**") were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

Placing of New Shares Under General Mandate

On 5 September 2017, the Company and ChaoShang Securities Limited (as a placing agent) entered into a placing agreement (as supplemented by a supplemental agreement dated on 27 September 2017) pursuant to which the Company has conditionally agreed to place through the placing agent, on a best endeavor basis, a maximum of 80,898,000 placing shares at the placing price of HK$0.5 per placing share (the "**Placing**"). The maximum gross proceeds from the Placing would be approximately HK$40.45 million. The maximum net proceeds from the Placing would be approximately HK$38.80 million.

The Placing was completed on 25 October 2017 and an aggregate of 80,898,000 placing shares were allotted and issued on the same date. The net proceeds from the Placing of approximately HK$38.80 million, representing a net issue price of approximately HK$0.480 per placing share, is intended to be used as to approximately HK$25.0 million for general working capital and as to approximately HK$13.8 million for marketing and promotional activities of the business of ecological LED cultivation cabinet system of the Group in the PRC. For further details, please refer to the Company's announcements dated 5 September 2017, 7 September 2017, 27 September 2017 and 25 October 2017 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

As at 31 December 2017, the details of the actual use of the net proceeds were as follow:

	Intended use of proceeds	Actual use of proceeds
	HK$'000	HK$'000
General working capital	25,000	22,565
Marketing and promotional activities for ecological LED cultivation cabinet system	13,800	16,235
	38,800	38,800

Liquidity, Financial Resources and Capital Structure

As at 31 December 2017, the Group had cash and bank deposits of approximately HK$35.0 million (2016: approximately HK$26.7 million).

The gearing ratio of the Group as at 31 December 2017 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 0.17 (2016: approximately 0.45).

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign Exchange Risk

The Group principally operates its businesses in Hong Kong and the PRC. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars and Chinese Renminbi.

Since Hong Kong dollars remains pegged to the United States dollars within a defined range, the Group is not exposed to any significant foreign exchange risk against the United States dollars. The Group has certian subsidiaries operating in mainland China, in which most of their transactions, including revenue, expenses and other financing activities, are denominated in Chinese Renminbi. The Group is not exposed to any significant foreign exchange transaction risk in relation to these currencies and had not entered into any foreign exchange contract as hedging measures against these currencies.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Significant events after the Reporting Period

Capital Increase in Huizhou Precast

On 3 January 2018, China Construction Company Limited ("**China Construction**"), a company indirectly owned as to 84% by the Company, entered into a capital increase agreement with two independent third parties, pursuant to which China Construction conditionally agreed to contribute with the amounts of the registered capital of Huizhou Precast Building Materials Co. Ltd ("**Huizhou Precast**"), which is principally engaged in the businesses of production, research and development of prefabricated precast concrete components and glass fiber reinforced cement components, product installation guidance. Upon completion of the aforesaid capital increase, China Construction will own 61% of the equity interest in Huizhou Precast. The Group intends, through this acquisition, to pursue the expansion of the prefabrication construction business. For further details, please refer to the Company's announcements dated 3 January 2018 and 5 January 2018 respectively.

Disposal of Mansion Point

On 13 March 2018, the Company and an independent third party entered into a sale and purchase agreement ("Disposal Agreement"), pursuant to which, the Company conditionally agreed to sell 51% of the entire issued share capital of Mansion Point to such independent third party at a cash consideration of HK$30,755,000.

Zhangzhou Tapai Concrete Components Company Limited ("**Zhangzhou Tapai**") and Nanjing Gaoke Building Materials Co., Ltd ("**Nanjing Gaoke**"), which is the indirectly wholly-owned subsidiary of the Mansion Point, had entered into a business transfer agreement on 10 October 2016, pursuant to which, among others, Zhangzhou Tapai cease to operate the Business and Nanjing Gaoke shall take up the business of Zhangzhou Tapai. As at the date of Disposal Agreement, Nanjing Gaoke has not yet obtained the pollutant discharge permit in its own name for the manufacturing space which was leased by Nanjing Gaoke from Zhangzhou Tapai under a lease agreement as part of the arrangement under the business transfer agreement.

Pursuant to Disposal Agreement, none of second instalment and third instalment of the consideration (total of HK$35,245,200), which are to be settled by issue of shares of the Company, will be settled for the sales and purchase agreement dated 9 September 2016 entered between the Company and such independent third party in relation to the acquisition by the Company of the 51% of the total share capital of the Mansion Point from such independent third party on 8 November 2016. For further details, please refer to the Company's announcement dated 13 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Proceedings by a Shareholder

The Company has received an originating summons issued on 24 February 2017 (the "**Originating Summons**") by Mr. Wu Xiongbin as the plaintiff under a High Court Miscellaneous Proceedings No.427 of 2017 (the "**Proceedings**"), naming the Directors Ms. Che Xiaoyan, Mr. Man Wai Lun, Mr. Chan Kam Wah, Mr. Bai Honghai, Mr. Shen Xingxing, Ms. Yang Nina, Mr. Li An Sheng, Mr. Guan Jincheng, Ms. Wu Chunping, Mr. Li Shunmin, Ms. Jiao Fei and the Company as defendants.

Mr. Wu in the Origination Summons sought a declaration that: (1) the meeting of the Board held on 17 February 2017 (the "**Meeting**") was invalid; (2) all resolutions passed at the Meeting were null and void; and (3) the appointment of Mr. Shen Xingxing, Ms. Yang Nina, Mr. Li An Sheng, Mr. Guan Jincheng, Ms. Wu Chunping, Mr. Li Shunmin and Ms. Jiao Fei as additional Directors during the Meeting was invalid. The parties to the Proceedings jointly applied to the High Court of Hong Kong for an order for the withdrawal of the Plaintiff's Originating Summons with no order as to costs and The High Court of Hong Kong granted an order in terms of the joint application on 24 April 2017. The Proceedings against the Company and relevant directors of the Company have ceased with effect from 24 April 2017. For further details, please refer to the Company dated 27 February 2017, 9 March 2017 and 25 April 2017.

Debts and Charge on Assets

As at 31 December 2017, the total borrowings of the Group amounted to approximately HK$40.0 million as compared to approximately HK$50.0 million as at 31 December 2016. The annual interest rates of the borrowings for the Reporting Period ranged from 0% to 5% (2016: 0% to 5%) per annum. All of the borrowings was accounted for as current liabilities of the Group. All of the above are denominated in Hong Kong Dollars.

As at 31 December 2017, the Group does not have finance lease liabilities.

Capital Commitments

The Group does not have material capital commitments as at 31 December 2017.

Contingent Liability

As at 31 December 2017, the Group had no contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employee and Remuneration Policies

As at 31 December 2017, the Group employed 128 staff (31 December 2016: 87 staff). Total employee costs for the Reporting Period including directors' emoluments, amounted to approximately HK$48.6 million (FY16: approximately HK$38.2 million).

The salary and benefit levels of the employees of the Group are competitive. This is very important as the construction industry has been experiencing labour shortage in general. Individual performance of our employees is rewarded through the Group's salary and bonus system. In addition, the Group provides adequate job training to employees in order to equip them with practical knowledge and skills to tackle situations and challenges encountered in diverse work sites.

Final Dividend

The Board does not recommend payment of final dividend to Shareholders for the Reporting Period (FY16: Nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Che Xiaoyan (“Ms. Che”), aged 34, is an executive Director, the chairperson of the Board and the chief executive officer of the Company. Ms. Che obtained a bachelor’s degree in International Business Trading from Hunan International Economics University in 2011. Ms. Che is experienced in the ecofriendly and energy saving industry. Ms. Che is the founder of Shenzhen Weixing Biological Technology Company Limited, a company established in the PRC in 2013 and is principally engaged in, among others, the development of products and services related to energy saving and reduction of carbon emission. She is also the founder of Shenzhen Changyi Energy Saving Technology Company Limited, a company established in the PRC in 2013 and is principally engaged in, among others, the research, development, production and sale of new energy batteries and solar energy products.

Mr. Li Shunmin (“Mr. S.M. Li”), aged 33, is as an executive Director and vice chairman of the Board. He obtained a diploma in Administration and Management from Anhui Economic Management Cadre College* (安徽經濟管理幹部學院) in July 2004. From 9 July 2011 Mr. Li has worked in Hefei 0551 Real Estate Network Marketing Company Limited* (合肥零五五一房產網絡營銷有限公司) (“**Hefei 0551**”) and subsequently with Anhui Wuyi Commercial Investment Group Co., Limited* (安徽省五一商業投資集團有限公司) (“**Anhui Wuyi**”), a part of Hefei 0551, as an operation officer and vice general manager. He is currently the vice chief executive officer of Anhui Wuyi and the general manager of the subsidiary of Anhui Wuyi.

Mr. Man Wai Lun (“Mr. Man”), aged 45, is an executive Director. He obtained his diploma in Business Management from the School of Continuing Education, Hong Kong Baptist University in April 2003 and obtained a bachelor degree of accountancy from the University of South Australia in March 2007. Mr. Man has over 15 years of experience in accounting. He worked as the chief accountant in Inno-Tech Holdings Limited (stock code: 8202) from May 2006 to January 2011 and was responsible for accounting, management reporting, budgeting and group consolidation. Mr. Man is currently one of the directors of HF Financial Holdings (H.K.) Limited which was founded by him.

Ms. Jiao Fei (“Ms. Jiao”), aged 36, is an executive Director. She obtained a diploma in Property Management in Henan Business College (now known as Henan University of Animal Husbandry & Economy) on 1 July 2004. Ms. Jiao has around 12 years of working experience in property management and business operations. She was hired by Shenzhen Zhenyue Real Estate Co. Ltd* (深圳市振粵房地產有限公司) as an investment promotion manager for eight months in 2015.

Mr. Guan Jincheng (“Mr. Guan”), aged 44, is an executive Director. He obtained his master degree in Electronic Information Engineering in HeFei University of Technology in June 2005.

NON-EXECUTIVE DIRECTOR

Mr. Lin Hongtong (“**Mr. Lin**”), aged 52, was appointed as a non-executive Director on 24 August 2017. Mr. Lin had served as management positions in various enterprises in the science and technology and renewable energy sectors since 2001. Mr. Lin has rich working experience in management and leadership. He served as the deputy manager of oversea marketing department of Shenzhen Global Connect Electronics Company Limited* (深圳市中科智儀實業有限公司) and was responsible for overseas and marketing expansion and client maintenance of the company from June 2001 to December 2011. Mr. Lin served as the deputy general manager of Shenzhen Honful TechnologyCo., Ltd.* (深圳市弘創富通科技有限公司) and was responsible for the comprehensive operation of the company from December 2011 to February 2016. He has been serving as the corporate consultant of H2O & AU Environmental Recycling Company Limited (富元再生資源有限公司) since April 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kam Wah (“Mr. Chan”), aged 42, was appointed as an independent non-executive Director on 27 May 2016. He holds a bachelor’s degree in Accounting from Napier University, Edinburgh of Scotland and a master degree in Business Administration from University of Sunderland. Mr. Chan is also a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 10 years of experience in accounting and finance.

Mr. Bai Honghai (“Mr. Bai”), aged 53, was appointed as an independent non-executive Director on 27 May 2016. He is managing director of Knowledge Transfer Research Department of PolyU and president of Shenzhen Research Department of PolyU Shenzhen Base, professor of medical psychology and health advisor. Mr. Bai obtained a Bachelor of Medicine from Pediatrics Department of Shanghai Second Medical University (currently known as Shanghai Jiao Tong University School of Medicine), Bachelor of Social Sciences and Bachelor of Science in Engineering of Department of Philosophy from Shanghai Jiao Tong University, Postgraduate Diploma in Social Medicine and Health Professional Management, Doctor of Education from Huazhong University of Science andd Technology. He has been engaging in management of enterprises and institutions and related teaching and practice of medical psychology, pediatrics and psychological counseling for nearly 30 years.

Mr. Li An Sheng (“Mr. Li”), aged 42, was appointed as an independent non-executive Director on 17 February 2017. He obtained a postgraduate certificate in accounting from Anhui Finance and Trade College (安徽財貿學院) in July 2003. He has worked as a director of Anhui Huiyuancheng Electrical Technology Co., Ltd, a listed company in the PRC, since November 2016.

Mr. Chen Yongquan (“**Mr. Chen**”), aged 40, was appointed as an independent non-executive Director on 24 August 2017. Mr. Chen graduated from University of Science and Technology of China* (中國科學技術大學) in 2004 with a bachelor’s degree in engineering majoring in Electronic Engineering and Information Technology. He has been working at Hefei Huanjing Information Technology Co., Ltd.* (合肥寰景信息技術有限公司) since May 2008 and his current position is the chairman of board of directors of Hefei Huangjing Information Technology Co., Ltd. Mr. Chen also served as the member of the 1st session of Hefei Academic Committee of CCF YOCSEF* (中國計算機學會青年計算機科技論壇合肥首屆學術委員會) from 2011 to 2015. He was also a council member of the seventh session of council of Anhui Youth Entrepreneurs Association* (安徽省青年企業家協會第七屆理事會) in 2011.

Mr. Chung Yuk Lun (“**Mr. Chung**”), aged 57, was appointed as an independent non-executive Director on 24 January 2018. He is a fellow member of the Association of Chartered Certified Accountants, an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales. Mr. Chung is currently an independent non-executive director of Success Dragon International Holdings Limited, a company listed in The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 1182). Mr. Chung has over 20 years’ experience in finance and management.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present hereby the corporate governance report of the Company for the Reporting Period.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term and continuing success of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures for the best interest of the Company's shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code (the "**Code**") in Appendix 15 to the GEM Listing Rules sets out the principles of good corporate governance, code provisions and recommended best practices. Issuers are expected to comply with the code provisions or devise their own code on corporate governance on the terms they consider appropriate provided that considered reasons are given. Throughout the Reporting Period, save as disclosed below, the Company had complied with the applicable code provisions of the Code with the exception of the deviation as explained:

Chairman and Chief Executive Officer

The Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Ms. Che Xiaoyan ("**Ms. Che**") served as chairman of the Board and chief executive officer of the Company during the Reporting Period. The Board believes that Ms. Che possesses accumulated extensive experience in corporation management and business development. In view of the present rapid development in new businesses in the Group, such deviation is deemed appropriate as it is considered to be more efficient to have a single person to be the chairman of the Company as well as to discharge the function of chief executive officer with the support of the management, in which all major decisions are made in consultation with the other executive Directors. In certain core businesses, Ms. Che also delegates its power and authority to certain other executive Directors and the management who have extensive experience in these specific industries. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**"). Further details of the Board Committees are set out in this annual report. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

CORPORATE GOVERNANCE REPORT (continued)

According to Rules 5.05A of the GEM Listing Rules, the Company must appoint independent non-executive Directors representing at least one-third of the Board.

On 10 March 2017, Mr. Liu Ping resigned as an independent non-executive Director. Following the resignation of Mr. Liu Ping, the Company has 4 independent non-executive Directors, the number of which fell below one-third of the then Board members as required under Rule 5.05A of the GEM Listing Rules between 10 March 2017 and 31 May 2017. On 31 May 2017, Mr. Liu Zhongping resigned as an executive Director and Mr. Zheng Sirong and Mr. Wong Tik Tung resigned as non-executive Director. Therefore, there were 11 board members, including 4 independent non-executive Directors, which satisfies the requirement under Rule 5.05A of the GEM Listing Rules that the number of independent non-executive Directors representing at least one-third of the members of the Board.

Save as disclosed above, the Company complied with the requirement under Rules 5.05(1) and Rule 5.05A of the GEM Listing Rules.

Composition of the Board

During the Reporting Period, the composition of the Board during the Reporting Period is set out as follow:

Executive Directors
Ms. Che Xiaoyan *(Chairman)*
Mr. Li Shunmin *(Vice Chairman) (appointed on 17 February 2017)*
Mr. Liu Zhong Ping *(resigned on 31 May 2017)*
Mr. Man Wai Lun
Ms. Jiao Fei *(appointed on 17 February 2017)*
Ms. Yang Nina *(appointed on 17 February 2017 and resigned on 10 November 2017)*
Mr. Guan Jincheng *(appointed on 17 February 2017)*

Non-executive Directors
Mr. Zheng Si Rong *(resigned on 31 May 2017)*
Mr. Wong Tik Tung *(resigned on 31 May 2017)*
Ms. Wu Chunping *(appointed on 17 February 2017 and resigned on 24 August 2017)*
Mr. Lin Hongtong *(appointed on 24 August 2017)*

Independent Non-executive Directors
Mr. Liu Ping *(resigned on 10 March 2017)*
Mr. Chan Kam Wah
Mr. Bai Honghai
Mr. Li An Sheng *(appointed on 17 February 2017)*
Ms. Shen Xingxing *(appointed on 17 February 2017 and resigned on 24 August 2017)*
Mr. Chen Yongquan *(appointed on 24 August 2017)*

CORPORATE GOVERNANCE REPORT (continued)

Specific enquiry has been made by the Company to each of the independent non-executive Directors to confirm their independence. In this connection, the Company has received positive confirmations from all of the independent non-executive Directors. Based on the confirmations received, the Company is of the view that all independent non-executive Directors are independent under the GEM Listing Rules.

Saved as disclosed in the section “Biographical Details of the Directors and Senior Management” in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

Board and General Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of our Group. Directors may participate either in person or through electronic means of communications.

During the Reporting Period, the Board had held 29 meetings and 2 annual general meetings. The attendance of the respective Directors at the Board meetings and general meetings are set out below:

	Attendance/ Number of Board meetings during the Reporting Period	Attendance/ Number of general meeting during the Reporting Period
Executive Directors		
Ms. Che Xiaoyan *(Chairman)*	24/29	1/2
Mr. Li Shunmin *(Vice Chairman) (appointed on 17 February 2017)*	23/29	2/2
Mr. Liu Zhong Ping *(resigned on 31 May 2017)*	5/15	0/1
Mr. Man Wai Lun	28/29	2/2
Ms. Jiao Fei *(appointed on 17 February 2017)*	24/29	1/2
Ms. Yang Nina *(appointed on 17 February 2017 and resigned on 10 November 2017)*	19/26	1/2
Mr. Guan Jincheng *(appointed on 17 February 2017)*	21/29	2/2
Non-executive Directors		
Mr. Zheng Si Rong *(resigned on 31 May 2017)*	2/15	0/1
Mr. Wong Tik Tung *(resigned on 31 May 2017)*	1/15	0/0
Ms. Wu Chunping *(appointed on 17 February 2017 and resigned on 24 August 2017)*	6/22	1/2
Mr. Lin Hongtong *(appointed on 24 August 2017)*	1/8	0/0
Independent Non-executive Directors		
Mr. Liu Ping *(resigned on 10 March 2017)*	0/4	0/0
Mr. Chan Kam Wah	15/29	0/2
Mr. Bai Honghai	12/29	0/2
Mr. Li An Sheng *(appointed on 17 February 2017)*	14/29	1/2
Ms. Shen Xingxing *(appointed on 17 February 2017 and resigned on 24 August 2017)*	12/22	1/2
Mr. Chen Yongquan *(appointed on 24 August 2017)*	1/8	0/0

CORPORATE GOVERNANCE REPORT (continued)

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "**Code of Conduct**"). After specific enquiries of all the Directors by the Company, all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct throughout the Reporting Period.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Reporting Period, the Company has encouraged all Directors to attend at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they are kept abreast with the latest requirements under the GEM Listing Rules. The Group has also adopted a policy to reimburse the Directors for any relevant training costs and expenses incurred concerning corporate governance and internal control.

BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, three committees have been established, i.e. the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**"). The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committees can be found on the Group's website (www.gf-holdings.com). All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

The Company has established the Audit Committee on 2 August 2014 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and provisions C.3.3 and C.3.7 of the Code. The majority of the Audit Committee members must be independent non-executive Directors and must be chaired by an independent non-executive Directors. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

The Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be independent non-executive Directors. As at the date of this report, the Audit Committee comprises three members, namely Mr. Chan Kam Wah (Chairman), Mr. Li An Sheng and Mr. Bai Honghai, all of whom are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT (continued)

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others (for the complete terms of reference, please refer to the Group's website at www.gf-holdings.com):

1. to make recommendations to the Board on the appointment and re-appointment of the Company's external auditors, and approve the remuneration and terms of engagement of the Company's external auditors;

2. to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to develop and implement policy on engaging the Company's external auditors to supply non-audit services, if any;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and review significant financial reporting judgments contained in them;

5. to discuss with the Company's external auditors questions and doubts arising in audit of annual accounts;

6. to review the letter of the Company's management from the Company's external auditors and the management's response;

7. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;

8. to review the Company's financial reporting, financial controls, internal control and risk management system;

9. to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;

10. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

11. to review the financial and accounting policies and practices of the Group;

12. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

13. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board.

During the Reporting Period, the Audit Committee had reviewed the Group's audited results for the year ended 31 December 2016, the unaudited quarterly results for the three months ended 31 March 2017 and the nine months ended 30 September 2017 and the unaudited interim results for the six months ended 30 June 2017 and discussed internal controls and financial reporting matters. The Audit Committee had also reviewed the Group's audited annual results for the Reporting Period, this annual report, and confirmed that this annual report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

CORPORATE GOVERNANCE REPORT (continued)

Save as disclosed in this Report, the Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

During the Reporting Period, the Audit Committee had held four meetings. The attendance records of the members of the Audit Committee during the Reporting Period are summarised below:

	Attendance/Number of meetings during the Reporting Period
Members of Audit Committee	
Mr. Chan Kam Wah *(Chairman)*	4/4
Mr. Liu Ping *(resigned on 10 March 2017)*	0/0
Mr. Bai Honghai *(resigned and re-appointed as a member of the Audit Committee on 10 March 2017 and 24 August 2017 respectively)*	0/1
Mr. Shen Xingxing *(appointed on 10 March 2017 and resigned on 24 August 2017)*	4/4
Mr. Li An Sheng *(appointed on 10 March 2017)*	4/4

REMUNERATION COMMITTEE

The Remuneration Committee was established on 2 August 2014 with terms of reference in compliance with Rules 5.34 to 5.36 at the GEM Listing Rules, and Provisions B.1.1-1.4 of the Code. As at the date of this report, the Remuneration Committee comprises three members, namely Mr. Li An Sheng (Chairman), Mr. Guan Jincheng and Mr. Chen Yongquan. Mr. Li and Mr. Shen are independent non-executive Directors.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include (for the complete terms of reference, please refer to the Group's website at www.gf-holdings.com):

1. consulting the chairman of the Board and/of chief executive about their remuneration proposals for other executive Directors;

2. making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. making recommendations to the Board on the remuneration of non-executive Directors;

6. considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

7. reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and

8. reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

During the Reporting Period, the Remuneration Committee had held five meetings. The attendance records of the members of the Remuneration Committee are summarised below:

	Attendance/Number of meetings during the Reporting Period
Members of Remuneration Committee	
Mr. Liu Ping *(resigned on 10 March 2017)*	0/0
Mr. Chan Kam Wah *(member until 10 March 2017)*	0/0
Mr. Man Wai Lun *(member until 10 March 2017)*	0/0
Mr. Li An Sheng *(Chairman) (appointed on 10 March 2017)*	5/5
Mr. Guan Jincheng *(appointed on 10 March 2017)*	5/5
Ms. Shen Xingxing *(appointed on 10 March 2017 and resigned on 24 August 2017)*	5/5
Mr. Chen Yongquan *(appointed on 24 August 2017)*	0/1

During the Reporting Period, the Remuneration Committee had reviewed (1) the remuneration of Ms. Che Xiaoyan, Mr. Liu Zhong Ping, Mr. Chong Yu Keung and Mr. Man Wai Lun (each an executive Director), Mr. Wong Tik Tung and Mr. Zheng Si Rong (each a non-executive Director), Ms. Lee Suk Fong, Mr. Tsang Wai Wa, Mr. Liu Ping Mr. Chan Kam Wah, Mr. Bai Honghai (each an independent non-executive Director); (2) the terms of the service agreements with the said Directors; and (3) the remuneration packages and performance of the Directors during the year ended 31 December 2016.

Save as disclosed in this Report, the Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

NOMINATION COMMITTEE

The Nomination Committee was established on 2 August 2014 with terms of reference in compliance with Provisions A.5.2-5.6 of the Code. As at the date of this report, the Nomination Committee comprises three members, namely Ms. Che Xiaoyan (Chairman), Mr. Li An Sheng and Mr. Chen Yongquan. Ms. Che is the executive Director, whereas Mr. Li and Mr. Chen are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT (continued)

With reference to the terms of reference of the Nomination Committee, the primary responsibilities of the Nomination Committee include (for the complete terms of reference, please refer to the Group's website at www.gf-holdings.com):

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

2. reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. assessing the independence of independent non-executive Directors; and

5. making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

During the Reporting Period, the Nomination Committee had held three meetings. The attendance records of the members of the Nomination committee are summarised below:

	Attendance/Number of meetings during the Reporting Period
Members of Nomination Committee	
Ms. Che Xiaoyan *(Chairman)*	3/3
Mr. Liu Ping *(resigned on 10 March 2017)*	0/1
Mr. Bai Honghai *(resigned as a member of the Nomination Committee on 10 March 2017)*	1/1
Mr. Li An Sheng *(appointed on 10 March 2017)*	2/2
Ms. Shen Xingxing *(appointed on 10 March 2017 and resigned on 24 August 2017)*	2/2
Mr. Chen Yongquan *(appointed on 24 August 2017)*	0/1

At the meetings, the Nomination Committee had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, reviewed the qualifications of the Directors and the progress on the implementation of the board diversity policy.

Save as disclosed in this Report, the Board is of the view that the Nomination Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

1. selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

2. the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

AUDITORS' REMUNERATION

During the Reporting Period, the Group engaged ZHONGHUI ANDA CPA Limited ("**ZHONGHUI ANDA**") as the Group's external auditors to conduct audit of the financial results of the Group for the year ended 31 December 2017 with the remuneration payable of HK$830,000.

No non-audit services had been provided by ZHONGHUI ANDA to the Group during the Reporting Period.

COMPANY SECRETARY

Mr. Cheung Wai Kee ("**Mr. Cheung**") is the company secretary of the Company. Mr. Cheung has adequate knowledge on the Company to discharge his duty as the company secretary of the Company. Mr. Cheung confirmed that he has taken no less than 15 hours of relevant professional training during the Reporting Period.

COMPLIANCE OFFICER

Mr. Man Wai Lun, an executive Director, is the compliance officer of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's system of internal controls and risk management. The Board must ensure that the Company establishes and maintains effective internal control and risk management systems to meet the objectives and safeguard the interests of the Shareholders and the assets of the Company.

The Board oversees the overall risk management and internal control system of the Group on an ongoing basis and endeavors to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems compatible with the Commissioner of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Framework 2013 principles are designed to manage rather than eliminate the risk of failures to achieve business objectives, and provide only reasonable but not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT (continued)

The Group have established a risk management policy set out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each divisions is responsible for identifying, assessing and managing risks within its divisions, identify and assess the principal risks on a quarterly basis with mitigation plans to manage those risks;

2. The management is responsible for overseeing the risk management and internal control activities of the Group, quarterly meetings with each divisions to ensure principals risk are properly managed, and new or changing risks are identified and documented;

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal controls.

The risk management framework, coupled with our internal controls, ensures that the risk associated with our different business units are effectively controlled in line with the Group's appetite.

The Company does not have an internal audit department and engaged an external internal control consultant, CT Partners Consultants Limited, to conduct review on the internal control system of the Group during the year. The review covering certain procedures on the construction related business and trading of LED light sources, and make recommendations for improvement and strengthening of internal control system. No significant areas of concern that may affect the financial, operational, compliance, controls and risk management of the Group have been identified.

The Group's risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience training programs and budget of accounting and financial reporting function and the Board has reached the conclusion that the Group's risk management and internal control system was in place and effective.

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the financial statements and to ensure that the financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required under the GEM Listing Rules. The Directors are of the view that the financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there are no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Statement of the Company's external auditors' responsibilities in respect of the consolidated financial statements is set out in the Independent Auditors' Report of this annual report.

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting ("**AGM**") is a forum in which the Board and the Shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including independent non-executive Directors) will answer questions raised by the Shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the Shareholders concerning the audit procedures and the auditors' report.

The forthcoming AGM of the Company will be held on 18 May 2018, the notice of which shall be sent to the Shareholders at least 20 clear business days prior to the meeting.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the acquisition(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT (continued)

Procedures for Shareholders' Nomination of Directors

Pursuant to article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Articles will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office or by fax to (852) 3571 9460, or by email to info@gf-holdings.com.

The addresses of the Company's head office and the Company's share registrars can be found in the section headed "Corporate Information" of this annual report.

INVESTOR RELATIONS

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via our website (www.gf-holdings.com).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

The shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

Address: Suite 3513, Tower 6
The Gateway, Harbour City
9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Email: info@gf-holdings.com

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Glory Flame Holdings Limited (the "Company" together with its subsidiaries, collectively "the Group") is principally engaged in (i) the provision of concrete demolition services in Hong Kong as subcontractor and manufacturing and trading of prestressed high strength concretes piles, and (ii) and trading of light emitting diode ("LED") light sources for decoration, the Ecological LED Cultivation Cabinet System and clean coal trading business.

Over the years, we have been adhering to our business philosophy of "Building a Green World". We have aligned to care about our business with sustainable development and environmental protection as our priority.

This report follows the latest version of the Environmental, Social and Governance Reporting Guide (the "ESG Guide") under Appendix 20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx").

Unless otherwise specified, the report focuses on the environmental and social performance of the core business activities of the Group in Hong Kong and the People's Republic of China (the "PRC") over the period between 1 January 2017 and 31 December 2017.

ABOUT THE COMPANY

In the construction business segment, the Group specialises in concrete coring, wall sawing & diamond wire cutting, bridge & road saw cutting, environmental-friendly demolish method by hydraulic crusher & burster, remote controlled demolition robots and different kind of demolition works. Our experienced teams with advance equipment is the major philosophy to ensure the safety and quality of our services.

In the LED trading business segment, the LED market has reached its maturity when energy saving is paramount importance to all users around the world. The customers using LED light sources is gradually increasing due to its comparative advantage over conventional light sources in terms of energy saving efficiency and product durability.

The Group also invested directly in the research and development of hydroponic products, including its own ecological LED cultivation cabinet system and planting rack. We cooperate with institutions and the China Astronaut Research and Training Centre with the research directions of global environmental protection and successfully produced the first prototype of the ecological LED cultivation cabinet system.

STAKEHOLDER ENGAGEMENT

Maintaining open and honest relationships with stakeholders is an indispensable key to our sustainable development. Continuous communication with our stakeholders enables us to make informed decisions and to accurately assess the potential impacts of our business decisions. The table below shows a list of the Group's stakeholders, as well as our efforts in communication and response.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	• Shareholders	> Corporate website > Financial report > Seminars > Conference call
Employees	• Senior Management • Staff • Direct workers • Potential recruits	> Training, seminars > Face-to-face meetings > Independent focus groups and interviews > CSR and volunteering activities
Customers	• Main-contractors • Buyers • Ultimate users	> Customer assessment > Monthly progress meeting > Designated customer hotline
Suppliers/Contractors	• Material suppliers • Transportation providers • Sub-contractors	> Supplier assessment > Daily work review > Site inspection > Monthly progress meeting
Government	• National and local governments • Regulators	> Written correspondence
Community	• National and local community organisation	> Industrial dinner > Seminar > CSR activity

MATERIALITY ANALYSIS

In respond to address the issues that are critical to the Group and significant to our stakeholders, we have conducted a materiality assessment on the Group’s Corporate Social Responsibility (“CSR”) agenda. By doing so, we are able to identify the areas for improvement in our CSR work with a more comprehensive, transparent and specific response to enhance the quality of the annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

PROTECTING THE ENVIRONMENT

Emission Control

Climate change and global warming pose unprecedented challenges to global sustainable development, environmental responsibility forms a vital role to the society. To honour our commitment to the environment, the Group puts great emphasis on improving our environmental practices through minimising greenhouse gases ("GHG") emissions and any waste generations, maximising resource efficiency and reducing environmental impacts from our operations.

Due to our business nature, multiple sources of emissions and wastes are generated in our daily operations. To better protect the environment, our subsidiary under the construction segment has implemented environmental management systems which standardised and introduced policies to constantly improve the Group's environmental management practices. Across our operations, we have carried out a number of green initiatives to reduce emissions and waste, enhance resource efficiency and minimise environmental footprint.

Dust-Free Operation

To reduce the impact of air pollution to the environment, shot-blasting and scarifying have become preferred methods to treat and clean any concrete, stone, ceramics, asphalt and steel surfaces. It is an innovative and environmental-friendly technology that with vacuum cleaner so that no chemicals or dust will be emitted during works. It also produces excellent bonding characteristics that reduce the risk of coating failure so as to improve road safety and maximise floor life.




Phasing Out Pre-Euro IV

For better roadside air quality, the Government has initiated an incentive-cum-regulatory approach of phasing out all the pre-Euro IV diesel commercial vehicles ("DCVs"). In response to the aforesaid, we have replaced numerous vehicles during past years and obtained registration for all our vehicles from the Transport Department. In accordance with the Air Pollution Control Ordinance in 2008, we have ensured that only diesel or unleaded petrol would be used for all our vehicles and machineries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Supporting Green Buildings

As a socially responsible business, the Group is highly attentive to the impact we bring to the environment and communities during our project development and is devoted to the research and application of the concept of green building and apply it throughout our building construction lifecycle. Compared with traditional construction methods, the adoption of prefabricated design in construction process mitigates the noise pollution and dust emissions to the surrounding communities during construction works. In order to further reduce emissions and improve surrounding eco-environment, prefabricated construction planning and design has undoubtedly come to our consideration for our projects and we will actively seek ways to contribute to a more sustainable living environment.

GHG emissions during the reporting period:

Aspects	**Unit**	**CO^2 equivalent**
Direct GHG emissions (Scope 1)		
Diesel oil	tonne	97.56
Unleaded petrol	tonne	6.71
Indirect GHG Emissions (Scope 2)		
Electricity supplied by Hong Kong Electric	tonne	14.69
Electricity supplied by China Light & Power	tonne	22.12
Gas supplied by Towngas	tonne	0.75
Other Indirect GHG Emissions (Scope 3)		
Fresh water processing	tonne	46.46
Business air travel by employees	tonne	9.75

IMPROVING RESOURCE EFFICIENCY

Water Efficiency Management

For the sake of making on-going improvement in our water-use, we have strengthened our construction site management to improve water-use efficiency. Control measures such as protection of drainage system and discharge point to avoid blockage and conduction of regular self-monitoring checks to ensure the quality of the effluent discharged meet the prescribed standard, are being introduced in our daily operations.

In order to reduce wastewater discharging, we also recycle and reuse the construction wastewater on site for cleaning use and dust suppression to alleviate dust emissions from construction and demolition activities.

Under the Water Pollution Control Ordinance ("WPCO"), Cap. 358, discharge of polluted waters into stormwater drains is not permitted. We firmly comply with the above ordinance and assure that the wastewater discharging from our construction activities into sewers or elsewhere is in compliance with the terms and conditions of the license issued by the Environmental Protection Department ("EPD").

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Energy conservation

In order to enhance energy performance, we have initiated a series of measures, and they are: in offices, we encourage the usage of electronic devices throughout our daily operations and actively improve our electronic document management system; we set the temperature of air-conditioning at an environmental-friendly level during summer months; all employees are informed that all the lighting and air-conditioning shall be switched off if it is not occupied; at construction sites, our teams are also encouraged to switch off idle plants and machinery to avoid any energy wastage.

Resources consumption during the Reporting Period:

Aspects	Unit	Volume
Electricity consumption	kWh	53,704
Per employee	kWh	419.56
Gas consumption	MJ	1,248
Per employee	MJ	9.75
Water consumption	m^3	161
Per employee	m^3	1.26

ENVIRONMENTAL AND NATURAL RESOURCES

To stimulate continuous improvement in environmental management practices, we have also established control measures over noise control, waste generation and waste disposal.

Noise Control

According to the Environmental Impact Assessment Ordinance, the noise standards for daytime construction activities should be 75 decibels for all domestic premises and 70 decibels for educational institutions. Due to the progressively stringent regulations, noise control has become a great concern to us ever since our establishment.

To overcome this obstacle, we engage in numbers of vibration-free operation methods in our demolition services, they are: blade cutting; wire sawing; concrete crushing, and concrete splitting and busting.

Waste Disposal Management

Under the enactment of the Construction Waste Disposal Charging Scheme through the Waste Disposal Ordinance, Cap. 354, in January 2005, we have opened billing accounts with the Environmental Protection Department for repaying the service charges. We are committed to only disposing at legitimate waste disposal facilities or through licensed collectors to collect and dispose of waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Environmental protection policies and plans were set up for different projects. In an effort to identify and resolve any incompliance as soon as possible, we conduct periodic inspections on construction works at sites with high environmental risks, covering dust control, disposal of sewage and construction waste. The Group also provides experienced personnel with adequate training to ensure strict implementation of such measures.

Non-hazardous waste disposal during the Reporting Period:

Aspects	Unit	Volume
Non-hazardous waste produced	tonne	4753.29
Per no. of construction projects during the year	tonne	2.62

For the year ended 31 December 2017, the Group was not aware of any non-compliance cases of laws and regulations that have a significant impact on the Group in relation to air and GHG emissions, noise control, discharges into water and onto the land, or generation of hazardous and non-hazardous waste.

EMPLOYMENT AND LABOUR PRACTICES

Employment System

We are convinced that our success relies on the dedication of our skilled and competent employees and we consider the well-being of our people is an important element of our journey towards sustainable development. Hence, it is paramount important that we continue to attract, retain and motivate our talent. Through establishing a comprehensive employment management system, we provide a respectful and inclusive working environment and competitive remuneration packages as well as a wide range of support services to support employees' well-being and professional career development.

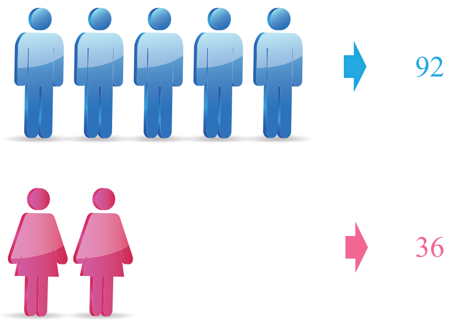
To cooperate with the continuously growing business scale, we recruit talents from different cultures and backgrounds to join our team. To protect employees' legitimate rights and interests, the Group strictly abide by the employment laws of the region where it operates, include but not limited to Employment Ordinance, Laws of Hong Kong, Labour Law of the PRC and the Labour Contract Law of the PRC.

We recognise the importance of having a fair and harmonious working environment and adhere to the principle of equal opportunities. From recruitment to promotion, the Group considers talents in a fair, open and just manner and will never discriminate on grounds of gender, race, ethnicity, age or religion. In order to eliminate the employment of child labour and forced labour, we check the identity and age of candidates carefully during recruitment to ensure such pursuance. A Staff Handbook is in place to ensure that all employees are aware of the goals, policies and disciplinary procedures of the Group.

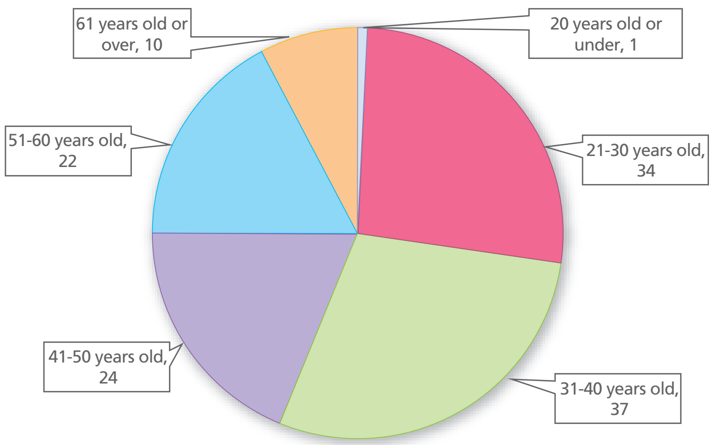
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Staff Composition for the Reporting Period:

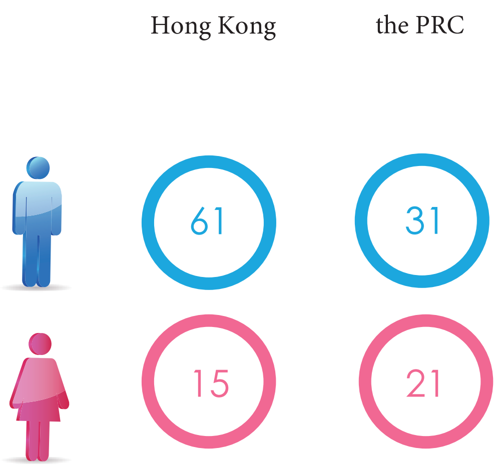
Number of Employees



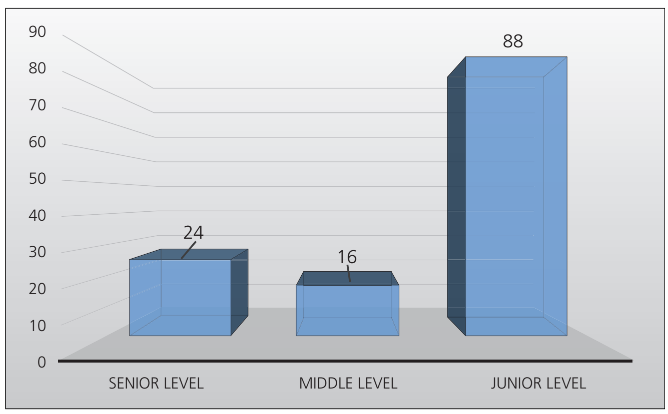
Employees by Age Group



Employees by Gender and Region



Employees by Employment Category



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Staff Turnover for the Reporting Period:

Aspects	No. of People	Rate
By Gender		
Male	14	15%
Female	5	14%
By Age Group		
20 years old or under	1	100%
21 – 30 years old	8	24%
31 – 40 years old	5	14%
41 – 50 years old	3	13%
51 – 60 years old	2	9%
61 years old or over	0	0%
By Geographical Region		
Hong Kong	10	13%
The People's Republic of China	9	17%

EMPLOYEE WELL-BEING

As the construction industry has been suffering from manpower shortage for years, we persistently place emphasis on attracting qualified applicants to meet future challenges by offering our employees with competitive remuneration packages. These packages are reviewed based on employees' performance and reference to the prevailing market conditions and adjusted in a timely manner to keep up with the industrial benchmarking. Employees who have achieved remarkable results in the annual performance appraisal will be given priority in the process of promotion. Through management meeting and performance assessment, we maintain regular communication with our employees. In daily operations, employees at all levels are encourage to share their perception on the Group to the management. In the hope of promoting a healthy lifestyle and work-life balance within the Group, we organise a series of family-friendly recreational activities for employees periodically to reward our employees, fostering harmonious employment relationship.

For the year ended, the Group was not aware of any non-compliance cases of laws and regulations that have a significant impact on the Group in relation to employment and labour standards.

EMPLOYEE HEALTH AND SAFETY

Owing to nature of construction works, numbers of our employees are often involved in high-risk work procedures. We place great emphasis on maintaining workplace health and safety and endeavour to provide our employees and subcontractors with a safe and health working environment.

To explore improvement initiatives in occupational, health and safety ("OHS"), our subsidiary under the construction segment is registered as a Green Cross Group member under the Occupational Safety and Health Council. The Green Cross Group brings organisations together to participate in the process of benchmarking so we can gain the ability to measure our safety and health management against the others. The Green Cross Group also offers members with training programme and workshops to facilitate experience sharing and gain deeper insights into the implementation of best practices.

The Group has in place a Safety Management System that is strictly complied with the Occupational Safety and Health Ordinance, Cap. 509 and the Factories and Industrial Undertakings Ordinance, Cap. 59, Laws of Hong Kong. The Group's Quality and Occupational Health and Safety Manual standardises safety requirements and procedures across the Group's operating activities, and is supplemented with instruction to our employees. The Group requires a strict implementation of the Manual to identify, assess, control and monitor safety risks. Safety measures include but not limited to sufficient personal protection equipment such as helmets and ear protectors are provided to all workers on sites and emergency procedures for foreseeable emergencies including fire, typhoon, landslide and heavy rainstorm, are established.

In addition, the Group carries out various forms of intensive safety inspections such as regular inspections, inspections on high-risk construction sites and inspections on high-risk work procedures. In the course of inspections, on-site foremen and site supervisors are to cooperate with safety officers to ensure any breaches or unsafe conditions are rectified promptly.

Remote Control Robot

In our demolition works, we manage emissions and improve efficiency by introducing the use of remote control robot at our construction sites. Demolition machines provide environmental-friendly and safe controlled demolition as no operators or supervisors are required to stay close to the working area. Distancing from the demolition zone can make our construction workers safer. Powered by 3-phase electricity, the robot is quiet with minimal vibration and does not generate any exhausted gas so that the impacts to our workers and the environment can be greatly reduced.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Due to our job nature, construction workers are exposed to higher injury risks than office staff. In order to minimise work-related injuries, we conduct investigations for all cases. Causes of accidents are identified and corresponding recommendations or training sessions will be provided to workers to avoid the reoccurrence of similar accidents.

Work Injury Statistics for the Reporting Period

Number of work-related fatalities	No. of people	0
Rate of work-related fatalities	Percentage	0%
Lost days due to work injury	Days	0

For the year ended 31 December 2017, the Group has not found any health and safety irregularities at its offices and construction sites, and there were no work-related injuries.

DEVELOPMENT AND TRAINING

The Group strives to unleash the potential and actualise the value of our employees and is committed to fully supporting their continued growth and development. We are devoted to provide periodical training and development programmes that add value for employees at all working levels. To continuously attract new talents, we also provide enhanced training programme and education subsidies to stimulate our employees to undertake continuous learning and broadening their knowledge.

During the year, our employees have participated in both internal and external training courses, including construction safety and environmental management, professional skills operation training and emergency knowledge, etc. In the future, the Group will invest more resources to provide our employees with more comprehensive training programmes to further enhance their skills and knowledge as well as strengthen their resilience.

Employees trained during the Reporting Period:

Aspects	Rate	Average Training Hours Per Employee
By Gender		
Male	50%	4.34
Female	28%	0.58
By Employment Category		
Senior Level	13%	0.29
Middle Level	63%	1.25
Junior Level	49%	4.47

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

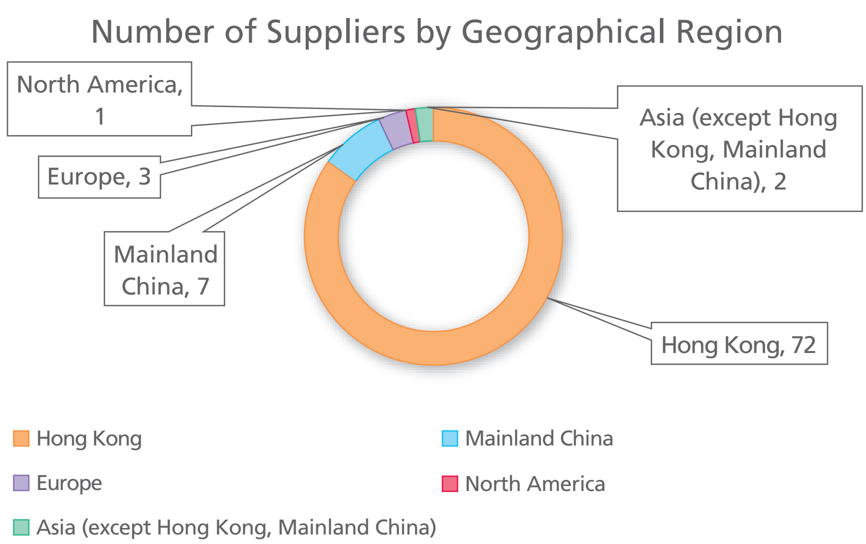
OPERATION MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The Group is devoted to pursuing high project quality, and our business associates play a crucial role in this process. In addition to implementing stringent internal controls and regular assessment, the Group maintains high standards for all operational aspects and works with partners to build a sustainable supply chain.

We adhere to fair and transparent operating practices through our extensive procurement mechanism which sets out the procedure for supplier and subcontractor selection and assessment as well as the criteria that should be taken into account. If the quality of any product is found unsatisfactory during inspections or operations, the Group will undertake measures such as returning the goods or reducing purchase quantity depending on the seriousness of situations from the feedback by purchasing or operating departments. In the event of business partners severely failed to comply with our standards, they are required to undertake corrective actions in a timely manner, they may be otherwise suspended from any business collaboration with us if conditions remained constantly.

We seek to exert positive influence over our supply chain and contribute to the sustainable development of the construction and manufacturing value chain. To deepen the relationships with our suppliers and subcontractors, we keep regular communication with our suppliers and subcontractors to share knowledge and experience of good industry practices, and adopt them into our operations. In our daily operations, we tend to conduct procurement from local suppliers (i.e. Hong Kong and the PRC) so as to reduce the carbon footprints and transportation costs arise from transportation.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

PRODUCT RESPONSIBILITY

In the context of fierce market competition, there is an ongoing increase in customers' demands on products and services. By providing quality and reliable products and services, the Group strives to maintain high levels of customer satisfaction and foster long-term trustful relationships with customers.

In order to offer satisfactory products and services to customers and ensure their health and safety, the Group has established an Internal Control Manual to address the controls over operations, procurement and project management. Through effective application of the Internal Control Manual, we endeavour to maintain consistent qualities in our products and services.

The Group recognises the importance of data privacy of not only our customers and employees, but also our financial data that we are adhered to a high level of data protection. To ensure the security of the information, the Group established guidelines for handling confidential or special information provided by customers, employees and business associates. For example, data is divided hierarchically and access rights are only granted to authorised personnel, and all confidential and special information is subject to strict non-disclosure to any third party or the public.

For the trading business of our hydroponic products and cultivation cabinet system, we have set up customer service teams for providing after-sales services such as installation and repair and maintenance to our customers. In spite of the installation and repair and maintenance services, hotline is also set up to respond to any enquiries from customers.

For the year ended 31 December 2017, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to data privacy laws and regulations, such as the Personal Data (Privacy) Ordinance.

ANTI-CORRUPTION

The Group regards integrity and fairness as the foundation of corporate social responsibility ("CSR"). As a responsible business, we uphold high ethical standards and are committed to conducting business in an honest and ethical way with integrity. Our stringent anti-corruption principles are well communicated to employees through induction and compliance training. Standardised rules and guidelines in handling different situations such as gifts, entertainment and financial management are specified in our Staff Handbook. For instance, employees are prohibited from accepting or offering gifts or services from or to our customers, suppliers or any person who has business dealings of any kind with the Group. Falsifying documents or furnishing false accounting records, receipts or invoices are also strictly prohibited. The Group encourages employees to report any integrity-related issues to the human resources department in a confidential manner. Reported cases will be followed up promptly.

In order to strengthen our control over integrity management, the Group is committed continuously formulating measures for reporting and strengthen reporting channels to keep up with latest laws and regulations in the future.

For the year ended 31 December 2017, the Group did not received any notice of non-compliance brought against the Group or its employees in relation to anti-corruption laws and regulations, such as the Prevention of Bribery Ordinance, Cap. 201, Laws of Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

CARING FOR THE COMMUNITY

The Group always takes interests of the community where it operates into account and regards improving the community well-being as an important approach to realise its value. We are dedicated to giving back to the society through leveraging our resources and supporting meaning projects and charitable services. In future, not only encourage our employees to, we will also proactively take part in charitable activities to better serve the community.

COMMUNITY WELFARE

Ecological LED Cultivation Cabinet System and Hydroponic Products

In today's world, pollution has become an inevitable challenge for the sustainable development of society. We pay great attention to the increasing demand on food safety and are dedicated to bringing pollution-free vegetables and a green and healthy lifestyle into families.

Compared to the traditional soil gardening, hydroponic gardening virtually eliminates the need for herbicides and pesticides. Any water that is used in the cultivation cabinet system stays and can be reused so as to reduce the constant need for water supply.

During the year, our ecological LED cultivation cabinet system and planting rack have been successfully introduced at certain restaurants, and have provided fresh green vegetables to the public. The cultivation cabinet system can not only help improve the indoor air quality by absorbing GHG emissions from the air, but also by releasing fresh air back into the surrounding environment and optimising indoor air quality.

In 2017, we also organised a series of events including regular educational workshops and farming sessions enabling the public to experience rural life and learn the importance of nutritious food. In addition, the Group has teams of nutritionists working as outsources and offer customised nutrition recipes for customers in different age group to serve the best interests of our customers. Looking into the future, we plan to set up a education and recreation centre to further promote hydroponic agriculture, with local institutions and families as our target customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

CHARITABLE DONATION

In addition to our commitment to community welfare, the Group also pays close attention to vulnerable groups and always stands ready to give a helping hand to those in need. During the year, the Group has made donations totalling over HK$50,000 to local communities and a number of organisations such as the Construction Industry Council and The Hong Kong Federation of Trade Unions Occupational Safety and Health Association to raise public awareness of occupational health and safety.

Sparing Our Support and Care

In 2017, we made donations to the Wu Zhi Qiao (Bridge to China) Charitable Foundation to support of their rural improvement work. By designing and building footbridges and village facilities in remote and poor areas of the PRC, Wu Zhi Qiao improves living environments and ensures respect, appreciation and preservation of local culture and environments while promulgating the concept of sustainability.

PERFORMANCE SUMMARY

ENVIRONMENTAL PERFORMANCE

Greenhouse Gas Emissions	Unit	CO² equivalent
Direct GHG Emissions (Scope 1)	tonne	104.27
Indirect GHG Emissions (Scope 2)	tonne	37.56
Other Indirect GHG Emissions (Scope 3)	tonne	56.21

Waste Disposal	Unit	CO² equivalent
Non-hazardous waste produced	tonne	4,753.29
Per no. of construction projects during the year	tonne	2.62

Energy Consumption	Unit	Volume
Electricity consumption	kWh	53,704
Per employee	kWh	419.56
Gas consumption	MJ	1,248
Per employee	MJ	9.75
Water consumption	m^3	161
Per employee	m^3	1.26

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

PERFORMANCE SUMMARY

SOCIAL PERFORMANCE – EMPLOYMENT AND LABOUR

	Unit	2017
Total Workforce by Gender		
Male	No. of people	92
Female	No. of people	36
Total Workforce by Age Group		
20 year old or under	No. of people	1
21 – 30 years old	No. of people	34
31 – 40 years old	No. of people	37
41 – 50 years old	No. of people	24
51 – 60 years old	No. of people	22
61 years old or over	No. of people	10
Total Workforce by Geographical Region		
Hong Kong	No. of people	76
The People's Republic of China	No. of people	52
Total Workforce by Employee Category		
Senior Level	No. of people	24
Middle Level	No. of people	16
Junior Level	No. of people	88
Employees Trained by Gender		
Male	Rate	50%
Female	Rate	28%
Employees Trained by Employment Category		
Senior Level	Rate	13%
Middle Level	Rate	63%
Junior Level	Rate	49%
Average Training Hours Completed by Gender		
Male	hour	4.34
Female	hour	0.58
Average Training Hours Completed by Employee Category		
Senior Level	hour	0.29
Middle Level	hour	1.25
Junior Level	hour	4.47

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

	No. of People	Rate
Employee Turnover by Gender		
Male	14	15%
Female	5	14%
Employee Turnover by Age Group		
20 year old or under	1	100%
21 – 30 years old	8	24%
31 – 40 years old	5	14%
41 – 50 years old	3	13%
51 – 60 years old	2	9%
61 years old or over	0	0%
Employee Turnover by Geographical Region		
Hong Kong	10	13%
The People's Republic of China	9	17%

Occupational Health and Safety	Unit	2017
Number of work-related fatalities	No. of People	0
Rate of Work-related fatalities	Percentage	0%
Lost days due to work injury	Days	0

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) provision of construction works and building materials supply, (ii) development and sales of agricultural equipment, (iii) trading of LED products and clean coal and (iv) provision of financial services.

BUSINESS REVIEW

Further discussion and analysis of these activities, including a business review of the Group for the Reporting Period and an indication of likely future developments in the Group's business, can be found in the Chairman's statement and Management Discussion and Analysis as set out in this annual report. These discussions form part of this directors' report.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

Details of Environmental Policies, performance and compliance with laws and regulations are set out in the "Environmental, Social and Governance Report" in this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognizes that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners and improving the quality of services to the customers.

Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and regular training courses are provided for its workers on different types of concrete demolition methods, operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

RESULT AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

The Board does not recommend payment of final dividend to shareholders of the Company for the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming AGM of the Company will be held on 8 June 2018 (Friday), the register of members of the Company will be closed from 5 June 2018 (Tuesday) to 8 June 2018 (Friday) (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 4 June 2017 (Monday) in order to qualify for the right to attend and vote at the AGM (or any adjournment thereof). The share registrar and transfer office is at:

Address: Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road
North Point, Hong Kong

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the five financial years are set out in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Reporting Period are set out in note 17 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2017 and details of the acquisition of subsidiaries during the Reporting Period are set out in note 33 and 11 to the consolidated financial statements of this annual report.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 December 2017 was 929,707,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital and the share premium of the Company during the Reporting Period are set out in note 27 and 28 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY FOR DIRECTORS

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

DIRECTORS' REPORT (continued)

RESERVES

Details of the reserves of the Group are set out in consolidated statement of changes in equity in this annual report.

As at 31 December 2017, the reserves of the Company available for distribution, as calculated under the provisions of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap. 22 of Cayman Islands, was approximately HK$231.5 million (2016: approximately HK$102.6 million) inclusive of share premium, share-based payment reserve, special reserve and retained earnings/accumulated losses.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company (the "Scheme") which was adopted on 2 August 2014 (the "Date of Adoption") are set out in note 29 to the consolidated financial statements.

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (fulltime and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group and to promote the success of the business of the Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), Director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of the Group, options to subscribe for such number of shares of the Company as it may determine in accordance with the terms of the Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

As at 31 December 2017, the number of outstanding share options under the Scheme is 47,269,000, representing 5.08% of the total issued Shares. During the Reporting Period, the total number of share options granted was 91,278,000, whereas 620,000 options were lapsed. During the Reporting Period, the total number of share option exercised was 88,809,000 options and none of the share options were cancelled. There are no more share option available for issue as at the date of this annual report.

The maximum number of entitlement to Shares of each grantee under the Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of the issued Shares. Any further grant of options in excess of this 1% limit shall be subject to the approval of the Shareholders in accordance with the GEM Listing Rules.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The Scheme will remain in force for a period of ten years commencing on the date on the adoption date, being 2 August 2014 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Ms. Che Xiaoyan *(Chairman)*
Mr. Li Shunmin *(Vice Chairman) (appointed on 17 February 2017)*
Mr. Liu Zhong Ping *(resigned on 31 May 2017)*
Mr. Man Wai Lun
Ms. Jiao Fei *(appointed on 17 February 2017)*
Mr. Yang Nina *(appointed on 17 February 2017 and resigned on 10 November 2017)*
Mr. Guan Jincheng *(appointed on 17 February 2017)*

Non-executive Directors

Mr. Zheng Si Rong *(resigned on 31 May 2017)*
Mr. Wong Tik Tung *(resigned on 31 May 2017)*
Ms. Wu Chunping *(appointed on 17 February 2017 and resigned on 24 August 2017)*
Mr. Lin Hongtong *(appointed on 24 August 2017)*

DIRECTORS' REPORT (continued)

Independent Non-executive Directors

Mr. Liu Ping *(resigned on 10 March 2017)*
Mr. Chan Kam Wah
Mr. Bai Honghai
Mr. Li An Sheng *(appointed on 17 February 2017)*
Ms. Shen Xingxing *(appointed on 17 February 2017 and resigned on 24 August 2017)*
Mr. Chen Yongquan *(appointed on 24 August 2017)*
Mr. Chung Yuk Lun *(appointed on 24 January 2018)*

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

Information regarding directors' emoluments is set out in note 14 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the independent non-executive Directors.

DIRECTORS' SERVICE CONTRACT

No Director has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. All Directors of the Company were appointed for a fixed period but subject to retirement from office and re-election at the AGM of the Company in accordance with the Articles.

Each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the remuneration committee of the Company.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation

As at 31 December 2017, interests or short positions of the Directors, chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Shares

Name of Directors	Capacity/Nature	Number of Shares and underlying Shares held/interested in	Approximate percentage of shareholding
Ms. Che Xiaoyan	Beneficial owner	162,789,800	17.51%
Mr. Li Shunmin	Beneficial owner	12,629,800	1.36%
Ms. Jiao Fei	Beneficial owner	15,269,800	1.64%
Mr. Guan Jincheng	Beneficial owner *(Note 1)*	8,089,800	0.87%
Mr. Man Wai Lun	Beneficial owner *(Note 2)*	8,089,800	0.87%

Notes:

(1) Such 8,089,800 Shares are beneficially held by Mr.Guan Jincheng in his own capacity pursuant to share options granted under the Share Option Scheme.

(2) Such 8,089,800 Shares are beneficially held by Mr. Man Wai Lun in his own capacity pursuant to share options granted under the Share Option Scheme.

(ii) Short positions

As at 31 December 2017, none of the directors or the chief executive nor their associates had any short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

Save as disclosed below, as at 31 December 2017 and so far as is known to the Directors, no person other than certain Directors or chief executive of the Company had any interests or short positions in the Shares and underlying shares of the Company which were required to be recorded in the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Name of Shareholder	Capacity/Nature of interest	Number of shares held/interested in	Long/short position	Approximate percentage of shareholdings
Mr. Zhang Chao	Beneficial owner	106,280,000	Long	11.43%
Mr. Du Hao	Beneficial owner	110,885,000	Long	11.93%

MAJOR CUSTOMERS

During the Reporting Period, the Group's five largest customers accounted for approximately 47.4% (2016: approximately 40.4%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 15.8% (2016: approximately 19.9%) of the total revenue.

None of the Directors or any of their close associates (as defined under the GEM Listing Rules), or any Shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

MAJOR SUPPLIERS

During the Reporting Period, the Group's five largest suppliers accounted for approximately 65.0% (2016: approximately 85.5%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 28.9% (2016: approximately 50.2%) of the total purchases.

None of the Directors or any of their close associates (as defined under the GEM Listing Rules), or any Shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

MAJOR SUBCONTRACTORS

During the Reporting Period, the Group's five largest subcontractors accounted for approximately 71.6% (2016: approximately 66.7%) of the total subcontractings of the Group and the largest subcontractor of the Group accounted for approximately 23.3% (2016: approximately 20.1%) of the total purchases.

None of the Directors or any of their close associates (as defined under the GEM Listing Rules), or any Shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest subcontractors.

DIRECTORS' INTEREST IN CONTRACTS

Save for the related party transactions disclosed in note 32 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the Reporting Period or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions of the Group are set out in note 32 to the consolidated financial statements.

The related party transactions set out in note 32 to the consolidated financial statements do not fall under the definition of "connected transaction" or "continuity connected transaction" under Chapter 20 of the GEM Listing Rules and are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DIRECTORS' REPORT (continued)

INTERESTS IN COMPETING BUSINESS

Having made specific enquiry of all Directors and the controlling Shareholders of the Company, all of them have confirmed that neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, the Company has complied with the applicable code provisions of the Code except for the deviations from code provision A.2.1, A.5.1 and A.6.7 of the Code which are explained in the section headed "Compliance with the Corporate Governance Code" of the Corporate Governance Report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "Code of Conduct"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct throughout the Reporting Period.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

EVENTS AFTER THE REPORTING PERIOD

Details of important events affecting the Group after the end of the Reporting Period are set out in the paragraph headed "Events after the Reporting Period" in the Management Discussion and Analysis section of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this report.

AUDITOR

Following the resignation of HLB Hodgson Impey Cheng Limited ("HLB") as auditor of the Company on 23 November 2016, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") was appointed as the auditor of the Company on the same day to fill in the vacancy following the resignation of HLB. Save as above, there were no other changes in auditor of the Company during the past three years.

ZHONGHUI ANDA shall retire in the forthcoming AGM and, being eligible, offer itself for reappointment. A resolution for the re-appointment of ZHONGHUI ANDA as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Che Xiaoyan
Chairperson

Hong Kong, 29 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
GLORY FLAME HOLDINGS LIMITED
朝威控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Glory Flame Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 115, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TRADE AND OTHER RECEIVABLES

Refer to Note 21 to the consolidated financial statements

The Group tested the amount of trade and other receivables for recoverability. This recoverability review is significant to our audit because the balance of trade and other receivables of approximately HK$149,247,000 as at 31 December 2017 is material to the consolidated financial statements. In addition, the Group's recoverability review involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;
- Assessing the Group's relationship and transaction history with the customers and debtors;
- Evaluating the Group's recoverability assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers and debtors;
- Checking subsequent settlements from the customers and debtors; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements;

We consider that the Group's recoverability review for trade and other receivables is supported by the available evidence.

GOODWILL

Refer to Note 18 to the consolidated financial statements

The Group is required to annually test the amount of goodwill for impairment. This annual impairment test is significant to our audit because the balance of goodwill of approximately HK$32,694,000 as at 31 December 2017 and the impairment loss on goodwill of approximately HK$21,910,000 are material to consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures for those using value-in-use calculations included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates); and
- Checking input data to supporting evidence.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit procedures for those using fair value less costs of disposal included, among others:

– Assessing the management's impairment procedures on goodwill;
– Obtaining the sales and purchase agreement on disposal of related cash generated units to assess the fair value less costs of disposal;
– Assessing the probabilities on the completion of the disposal of related cash generating units; and
– Checking the board minutes on the approval of the disposal.

We consider that the Group's impairment test for goodwill is supported by the available evidence.

OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988

Hong Kong, 29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	183,283	128,964
Cost of sales		(154,632)	(101,504)
Gross profit		28,651	27,460
Other income and other gains or losses	8	28,661	542
Gain/(loss) on financial assets at fair value through profit or loss		51,372	(8,662)
Share-based payments		(19,080)	(13,023)
Fair value gain/(loss) on contingent consideration		21,889	(1,142)
Impairment losses on various assets		(21,994)	(28,261)
Administrative and other operating expenses		(70,645)	(41,918)
Operating profit/(loss)		18,854	(65,004)
Finance costs	10	(2,006)	(1,998)
Profit/(loss) before income tax		16,848	(67,002)
Income tax	12	(1,016)	(2,241)
Profit/(loss) for the year	13	15,832	(69,243)
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		361	8
Total other comprehensive income for the year		361	8
Total comprehensive income/(loss) for the year		16,193	(69,235)
Profit/(loss) for the year attributable to:			
Owners of the Company		18,138	(68,092)
Non-controlling interests		(2,306)	(1,151)
		15,832	(69,243)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		18,535	(68,075)
Non-controlling interests		(2,342)	(1,160)
		16,193	(69,235)
Earnings/(loss) per share	16		
Basic (cents per share)		2.18	(9.92)
Diluted (cents per share)		2.18	(9.92)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	17	**19,283**	16,668
Goodwill	18	**32,694**	52,665
Intangible assets	19	**4,410**	5,880
		56,387	75,213
Current assets			
Inventories	20	**2,687**	248
Trade and other receivables	21	**149,247**	101,929
Financial assets at fair value through profit or loss	22	**51,030**	–
Bank and cash balances	23	**35,003**	26,697
Tax receivable		**1,173**	–
		239,140	128,874
Current liabilities			
Trade and other payables	24	**13,266**	20,595
Loan from a former director	25	**40,000**	50,000
Tax payable		**–**	562
		53,266	71,157
Net current assets		**185,874**	57,717
Total assets less current liabilities		**242,261**	132,930
Non-current liabilities			
Contingent consideration		**–**	21,889
Deferred tax liabilities	26	**915**	838
		915	22,727
NET ASSETS		**241,346**	110,203
Capital and reserves			
Share capital	27	**9,297**	7,600
Reserves		**232,969**	103,588
Equity attributable to owners of the Company		**242,266**	111,188
Non-controlling interests		**(920)**	(985)
TOTAL EQUITY		**241,346**	110,203

The consolidated financial statements on pages 64 to 115 were approved and authorised for issue by the Board of Directors on 29 March 2018 and are signed on its behalf by:

Che Xiao Yan
Director

Li Shun Min
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Share-based payment reserve HK$'000	Foreign currency translation reserve HK$'000	Other reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016	6,200	34,025	15,800	–	–	–	25,568	81,593	–	81,593
Total comprehensive loss for the year	–	–	–	–	17	–	(68,092)	(68,075)	(1,160)	(69,235)
Issue of shares on placement	900	63,247	–	–	–	–	–	64,147	–	64,147
Issue of shares for acquisition of subsidiaries	500	20,000	–	–	–	–	–	20,500	–	20,500
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	175	175
Share-based payments	–	–	–	13,023	–	–	–	13,023	–	13,023
Lapse of share options	–	–	–	(1,736)	–	–	1,736	–	–	–
Balance at 31 December 2016	7,600	117,272	15,800	11,287	17	–	(40,788)	111,188	(985)	110,203
Balance at 1 January 2017	**7,600**	**117,272**	**15,800**	**11,287**	**17**	**–**	**(40,788)**	**111,188**	**(985)**	**110,203**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**397**	**–**	**18,138**	**18,535**	**(2,342)**	**16,193**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**68**	**68**
Further acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**(1,672)**	**–**	**(1,672)**	**1,672**	**–**
Issue of shares on placement	**809**	**38,221**	**–**	**–**	**–**	**–**	**–**	**39,030**	**–**	**39,030**
Issue of shares upon exercise of share options	**888**	**74,629**	**–**	**(19,412)**	**–**	**–**	**–**	**56,105**	**–**	**56,105**
Share-based payments	**–**	**–**	**–**	**19,080**	**–**	**–**	**–**	**19,080**	**–**	**19,080**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**667**	**667**
Lapse of share options	**–**	**–**	**–**	**(248)**	**–**	**–**	**248**	**–**	**–**	**–**
Balance at 31 December 2017	**9,297**	**230,122**	**15,800**	**10,707**	**414**	**(1,672)**	**(22,402)**	**242,266**	**(920)**	**241,346**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Profit/(loss) before income tax	**16,848**	(67,002)
Adjustments for:		
Depreciation of property, plant and equipment	**6,618**	6,096
Amortisation of intangible assets	**1,470**	–
Interest income	**(2)**	(3)
(Gain)/loss on financial assets at fair value through profit or loss	**(51,372)**	8,662
Reversal of impairment loss on trade and other receivables	**(28,034)**	–
Gain on disposal of property, plant and equipment	**(30)**	–
Share-based payments	**19,080**	13,023
Fair value (gain)/loss on contingent consideration	**(21,889)**	1,142
Written-off of property, plant and equipment	**3,432**	–
Impairment losses on various assets	**21,994**	28,261
Interest expenses	**2,006**	1,998
Operating loss before working capital changes	**(29,879)**	(7,823)
Change in inventories	**(2,410)**	1,024
Change in trade and other receivables	**(18,652)**	(94,021)
Change in financial assets at fair value through profit or loss	**342**	(8,662)
Change in trade and other payables	**(8,071)**	13,487
Net cash used in operations	**(58,670)**	(95,995)
Income tax paid	**(2,674)**	(3,200)
Net cash used in operating activities	**(61,344)**	(99,195)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(12,670)**	(8,597)
Proceeds from disposal of property, plant and equipment	**30**	–
Additions of intangible assets	**–**	(5,880)
Acquisition of subsidiaries	**(1,880)**	(11,589)
Interest received	**2**	3
Net cash used in investing activities	**(14,518)**	(26,063)
Cash flows from financing activities		
Proceeds from issue of shares on placement	**39,030**	64,147
Repayment of loan from a former director	**(10,000)**	(5,000)
Proceeds from issue of shares upon exercise on share options	**56,105**	–
Capital injection from non-controlling interests	**667**	–
Repayment of finance leases	**–**	(730)
Interest paid on loan from a former director	**(1,806)**	(1,992)
Interest paid on finance leases	**–**	(6)
Net cash generated from financing activities	**83,996**	56,419
Net increase/(decrease) in cash and cash equivalents	**8,134**	(68,839)
Effect of foreign exchange rate changes	**172**	8
Cash and cash equivalents at beginning of the year	**26,697**	95,528
Cash and cash equivalents at end of reporting period, Represented by bank and cash balances	**35,003**	26,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Glory Flame Holdings Limited (the "Company") was incorporated in the Cayman Islands on 25 April 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. During the year, the address of the Company's principal place of business in Hong Kong has been changed from Room 1901, 19th Floor, COFCO Tower, No. 262 Gloucester Road, Causeway Bay, Hong Kong to Suite 3513, 35th Floor, Tower 6, the Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of contingent consideration which is carried at its fair values. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Foreign currency translation (Continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

–	Plant and machinery	: 25%
–	Furniture and fixtures	: 20%
–	Motor vehicles	: 25%
–	Decoration	: 20%
–	Office equipment	: 20%-25%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Property, plant and equipment (Continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

3.5 Leases

(a) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(b) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated over the shorter of the lease term and their estimated useful lives.

3.6 Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's Ecological LED Cultivation Cabinet System business is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes)
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 4 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded in the statement of financial position at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the statement of financial position as "Gross amount due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the statement of financial position as "Gross amount due to customers for contract work". Progress billings not yet paid by the customer are included in the statement of financial position under "Trade receivables". Amounts received before the related work is performed are included in the statement of financial position under "Trade payables".

3.9 Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

3.11 Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

3.12 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.14 Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3.15 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Revenue recognition (Continued)

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

Revenue from the provision of agency and consultation services is recognised when the services have been rendered.

3.17 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3.18 Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.20 Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.21 Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3.23 Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

3.25 Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK$32,694,000.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(c) Recoverability of internally-generated intangible asset

During the year, the Group reconsidered the recoverability of its internally-generated intangible asset arising from the Group's Ecological LED Cultivation Cabinet System business, which is included in its consolidated statement of financial position at 31 December 2017 at approximately HK$4,410,000. The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed the Group's previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the Group to reconsider its assumptions regarding future market shares and anticipated margins on these products. Detailed sensitivity analysis has been carried out and the Group is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

(d) Property, plant and equipment and depreciation and impairment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group has minimal exposure to foreign currency risk to foreign exchange risk.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period (see note 22). Therefore, the Group is exposed to equity security price risk.

At 31 December 2017, if the share prices of the financial assets at fair value through profit or loss increase/ decrease by 10%, profit for the year would have been approximately HK$5,103,000 (2016: Nil) higher/lower, arising as a result of gain/loss on the financial assets at fair value through profit or loss.

(c) Credit risk

The carrying amount of the cash and bank balances and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on cash and bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the Directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 14% (2016: 10%) and 26% (2016: 40%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Group's financial liabilities are due within one year.

(e) Interest rate risk

As the Group's loan from a former director bears interests at fixed interest rates, therefore the Group's operating cash flows are substantially independent of change in market interest rate.

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

5. FINANCIAL RISK MANAGEMENT (Continued)

(g) Categories of financial instruments at 31 December

	2017 HK$'000	2016 HK$'000
Financial assets:		
Loan and other receivables:		
Trade and other receivables	91,679	50,842
Bank and cash balances	35,003	26,697
Financial assets at fair value through profit or loss:		
Held for trading	51,030	–
	177,712	77,539
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade and other payables	13,266	20,595
Loan from a former director	40,000	50,000
	53,266	70,595

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December:

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	51,030	–	–	51,030
Total recurring fair value measurements	51,030	–	–	51,030

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Contingent consideration	–	–	21,889	21,889
Total recurring fair value measurements	–	–	21,889	21,889

During the year ended 31 December 2017, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (2016: nil). The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors at least twice a year.

The Group's contingent consideration were valued at their fair values at 31 December 2016. The fair values were valued by Ascent Partners Valuation Service Limited, an independent professionally qualified valuer which holds a recognised relevant professional qualification and has recent experience in valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

6. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of liabilities measured at fair value based on level 3:

	Contingent consideration 2017 HK$'000
At the beginning of year	**21,889**
Total gains recognised in profit or loss	**(21,889)**
At the end of reporting period	**–**

	Contingent consideration HK$'000 2016
Acquisition of subsidiaries	20,747
Total losses recognised in profit or loss for liabilities held at end of reporting period	1,142
At the end of reporting period	21,889

The total gains or losses recognised in profit or loss are presented in fair value changes on contingent liabilities in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

6. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December:

Key unobservable inputs used in level 3 fair value measurements are mainly:

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2016 HK$'000
Contingent consideration	Discounted cash flow	Weighted average cost of capital	13.73% – 14.63%	Decrease	
		Long-term revenue growth rate	12.7%	Increase	
		Long-term pre-tax operating margin	9.5% - 10.7%	Increase	
		Discount of lack of marketability	16.11%	Decrease	
					21,889

7. REVENUE

The Group's revenue is analysed as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Provision of concrete demolition and construction engineering services	**71,835**	87,660
Trading of LED light sources for decoration	**85,462**	31,074
Manufacturing and trading of prestressed high strength concrete piles	**8,581**	9,586
Trading of ecological LED cultivation cabinet	**9,110**	644
Trading of clean coal	**8,057**	–
Provision of insurance brokerage and consultancy services	**238**	–
	183,283	128,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

8. OTHER INCOME AND NET GAINS OR LOSSES

	2017 HK$'000	2016 HK$'000
Bank interest income	**2**	3
Reversal of impairment losses on trade and retention receivables	**28,034**	101
Exchange (loss)/gain	**(154)**	152
Gain on disposals of property, plant and equipment	**30**	–
Others *(Note)*	**749**	286
	28,661	542

Note: Included in "Others" was government grants of approximately HK$614,000 received by the Group during the year ended 31 December 2017 (2016: HK$225,000). There are no unfulfilled conditions or contingencies relating to these grants.

9. SEGMENT INFORMATION

The Group has four reportable segments as follows:

Construction	Provision of concrete demolition, construction engineering services, pre-stressed concrete piles, construction works and prefabricated precast construction
Agricultural equipment	Trading of ecological LED cultivation cabinet system
Trading business	Trading of LED light sources for decoration and clean coal
Financial services	Provision of insurance brokerage and consultancy services

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

9. SEGMENT INFORMATION (Continued)

The accounting policies of the reportable and operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include interest income, income tax, gains or losses from investments and other unallocated corporate income and expenses. Segment assets do not include bank and cash balance, financial assets at fair value through profit or loss and other unallocated corporate assets. Segment liabilities do not include loan from a former director, current tax liabilities, deferred tax liabilities and other unallocated corporate liabilities.

Information about reportable segment profit or loss, assets and liabilities:

	Construction	Agricultural equipment	Trading business	Financial Services	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2017:					
Revenue from external customers	**80,416**	**9,110**	**93,519**	**238**	**183,283**
Segment profit/(loss)	**2,565**	**(19,757)**	**22,462**	**(200)**	**5,070**
Depreciation of property, plant and equipment	**4,862**	**47**	**1,419**	**–**	**6,328**
Amortisation of intangible assets	**–**	**1,470**	**–**	**–**	**1,470**
Impairment loss on trade receivables, net	**84**	**–**	**–**	**–**	**84**
Additions to segment non-current assets	**1,277**	**2,962**	**85**	**–**	**4,324**
At 31 December 2017:					
Segment assets	**77,725**	**52,106**	**64,931**	**2,048**	**196,810**
Segment liabilities	**7,898**	**157**	**2,578**	**109**	**10,742**
Year ended 31 December 2016:					
Revenue from external customers	97,246	644	31,074	–	128,964
Segment profit /(loss)	11,830	(1,041)	(44,003)	–	(33,214)
Depreciation of property, plant and equipment	5,893	–	203	–	6,096
Impairment loss on trade receivables, net	227	–	22,876	–	23,103
Impairment loss on trade deposits	–	–	5,158	–	5,158
Additions to segment non-current assets	371	3,801	4,425	–	8,597
At 31 December 2016:					
Segment assets	106,444	26,752	40,260	–	173,456
Segment liabilities	37,808	177	3,461	–	41,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

9. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment profit or loss, assets and liabilities:

	2017 HK$'000	2016 HK$'000
Profit or loss:		
Total profit or loss of reportable segments	5,070	(33,214)
Share-based payments	(19,080)	(13,023)
Gain/(loss) on financial assets at fair value through profit or loss	51,372	(8,662)
Corporate and unallocated profit or loss	(20,514)	(12,103)
Consolidated profit or loss before tax	16,848	(67,002)
Assets:		
Total assets of reportable segments	196,810	173,456
Bank and cash balances	35,003	26,697
Financial assets at fair value through profit or loss	51,030	–
Corporate and unallocated assets	12,684	3,934
Consolidated total assets	295,527	204,087
Liabilities:		
Total liabilites of reportable segments	10,742	41,446
Loan from a former director	40,000	50,000
Corporate and unallocated liabilities	3,439	2,438
Consolidated total liabilities	54,181	93,884

Geographical information:

	2017 HK$'000	2016 HK$'000
Revenue:		
Hong Kong	148,871	87,660
The People's Republic of China	25,747	15,697
The United States	8,665	25,607
	183,283	128,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

9. SEGMENT INFORMATION (Continued)

Information about revenue from the Group's customer individually contributing over 10% of total revenue of the Group is as follows:

	2017 HK$'000	2016 HK$'000
Trading business segment		
Customer A	8,665	25,607
Customer B	39,542	–
Customer C	37,255	–

In presenting the geographical information, revenue is based on the locations of the customers.

	2017 HK$'000	2016 HK$'000
Non-current assets		
Hong Kong	47,832	61,776
The People's Republic of China (the "PRC")	8,555	13,437
	56,387	75,213

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on finance leases	–	6
Interest on loan from a former director	2,006	1,992
	2,006	1,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

11. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2017

(a) On 6 November 2017, the Group acquired 60% of the issued share capital of Hong Kong Yuanfeng Insurance Brokers Limited (the "Yuanfeng") for a cash consideration of HK$2,040,000.

The principal activities of Yuanfeng are provision of consultancy and insurance brokerage service.

The fair value of the identifiable assets and liabilities of Yuanfeng acquired as at its date of acquisition is as follows:

	HK$'000
Bank and cash balances	160
Deposits and prepayment	83
Other payables	(74)
Total identifiable net assets at fair value	169
Non-controlling interests	(68)
Goodwill	1,939
Consideration transferred	2,040
Satisfied by:	
Cash	2,040

Analysis of net outflow of cash and cash equivalents in respect of acquisition of Yuanfeng:

	HK$'000
Total cash consideration	2,040
Cash and cash equivalents acquired	(160)
	1,880

Yuanfeng contributed revenue of approximately HK$238,000 to the Group's revenue and loss of approximately HK$200,000 to the Group's results for the year between the date of acquisition and the end of the reporting year.

If the acquisition had been completed on 1 January 2017, total Group's revenue for the year would be HK$184,659,000, and profit for the year would have been approximately HK$15,016,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is intended to be a projection of future results.

11. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2016

(a) On 8 November 2016, the Group acquired 51% of the issued share capital of Mansion Point International Limited (the "Mansion Point") and its subsidiaries including 南靖高科建材有限公司("南靖高科"), for a total agreement consideration of HK$66,000,200 which is comprised a cash consideration HK$11,600,000 and 142,000,000 ordinary shares (the "Consideration Shares") of the Company at HK$0.3831. 50,000,000 Consideration Shares have been allotted and issued during the year. Under the contingent consideration arrangement, 42,000,000 and 50,000,000 of the Consideration Shares (the "Second and Third installment") will be allotted and issued within fifteen days after the announcement of annual results of the Company for the years ended 31 December 2017 and 31 December 2018 respectively. The Second and Third installment will be adjusted subject to the audited net profit of 南靖高科 for the year ended 31 December 2017 and 31 December 2018 respectively.

The potential Consideration Shares that the Group could be required to allot and issue under the contingent consideration arrangement is between zero and 92,000,000.

Mansion Point is an investment holding company. The principal activities of Mansion Point's subsidiaries are manufacturing and trading of prestressed high strength concrete piles.

The fair value of the identifiable assets and liabilities of Mansion Point Group acquired as at its date of acquisition is as follows:

	HK$'000
Bank and cash balances	11
Other receivables	353
Other payables	(7)
Total identifiable net assets at fair value	357
Non-controlling interests	(175)
Goodwill	52,665
Consideration transferred	52,847
Satisfied by:	
Cash	11,600
50,000,000 ordinary shares at fair value on completion	20,500
Contingent consideration at fair value on completion	20,747
	52,847

Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries:	HK$'000
Total cash consideration	11,600
Cash and cash equivalents acquired	(11)
	11,589

11. ACQUISITION OF SUBSIDIARIES (Continued)

Mansion Point Group contributed revenue of approximately HK$9,586,000 to the Group's revenue and profit of approximately HK$134,000 to the Group's results for the year between the date of acquisition and the end of 2016.

If the acquisition had been completed on 1 January 2016, total Group's revenue for the year would be unchanged, and loss for the year would have been approximately HK$69,276,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

Acquisition-related costs of approximately HK$158,000 have been recognised as expenses during the year of 2016.

12. INCOME TAX

	2017 **HK$'000**	2016 HK$'000
Current tax – Hong Kong profits tax:		
Provision for the year	**941**	2,819
(Over)/under-provision in prior years	**(19)**	15
	922	2,834
Current tax – PRC Enterprise Income Tax:		
Provision for the year	**17**	–
Deferred tax *(Note 26)*	**77**	(593)
Income tax expense	**1,016**	2,241

Hong Kong Profits Tax is provided at 16.5% (2016: 16.5%) based on the assessable profit for the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

12. INCOME TAX (Continued)

The reconciliation between the income tax expense and profit/(loss) before tax is as follows:

	2017 HK$'000	2016 HK$'000
Profit/(loss) before tax	16,848	(67,002)
Tax at domestic income tax rate of 16.5% (2016: 16.5%)	2,780	(11,055)
Tax effect of income that is not taxable	(10,272)	(15)
Tax effect of expenses that are not deductible	11,073	12,812
Tax effect of utilisation of tax losses not previously recognised	(2,672)	–
Tax effect of temporary differences not recognised	848	613
Effect of different tax rates of subsidiaries	(722)	(145)
(Over)/under-provision in prior years	(19)	15
Others	–	16
Income tax expense	1,016	2,241

13. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2017 HK$'000	2016 HK$'000
Cost of inventories sold/services provided	154,632	101,504
Depreciation of property, plant and equipment	6,618	6,096
Amortisation of intangible assets	1,470	–
Gain on disposals of property, plant and equipment	(30)	–
Impairment loss on various assets		
Trade receivables	84	23,103
Trade deposits	–	5,158
Goodwill	21,910	–
	21,994	28,261
Fair value (gain)/loss on contingent consideration	(21,889)	1,142
Staff costs (including directors' remuneration – note 14)		
Salaries, bonus and allowances	30,497	26,006
Share-based payments	17,520	11,287
Retirement benefits scheme contributions	613	901
	48,630	38,194
Share-based payments to consultant	1,560	1,736
Auditor's remuneration	830	790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The remuneration of each director for the year ended 31 December 2017 is set out below:

	Notes	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors						
Mr. Liu Zhong Ping	1	–	525	–	–	525
Ms. Che Xiao Yan		–	1,200	1,650	–	2,850
Mr. Man Wai Lun		–	498	1,650	18	2,166
Ms. Jiao Fei	2	–	194	630	15	839
Ms. Yang Ni Na	3	–	201	630	9	840
Mr. Li Shun Min	4	–	240	1,650	–	1,890
Mr. Guan Jin Cheng	5	–	80	1,650	–	1,730
Non-executive Directors						
Mr. Zheng Si Rong	6	60	–	–	–	60
Mr. Wong Tik Tung	7	60	–	–	–	60
Ms. Wu Chun Ping	8	–	38	1,650	–	1,688
Mr. Lin Hong Tong	9	43	–	–	–	43
Independent Non-executive Directors						
Mr. Bai Hong Hai		120	–	–	–	120
Mr. Chan Kam Wah		120	–	–	–	120
Mr. Liu Ping	10	23	–	–	–	23
Mr. Li An Sheng	11	–	80	–	–	80
Mr. Shen Xing Xing	12	–	38	–	–	38
Mr. Chen Yong Quan	13	43	–	–	–	43
Total for 2017		469	3,094	9,510	42	13,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

The remuneration of each director for the year ended 31 December 2016 is set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Pei Wing Fu	–	1,200	–	18	1,218
Ms. Pei Wing Sze, Clare	–	1,200	–	18	1,218
Mr. Liu Zhong Ping	–	380	2,480	–	2,860
Ms. Che Xiaoyan	–	719	2,480	–	3,199
Mr. Chong Yu Keung	–	182	–	5	187
Mr. Man Wai Lun	–	88	–	2	90
Non-executive Directors					
Mr. Zheng Si Rong	120	–	–	–	120
Mr. Wong Tik Tung	33	–	–	–	33
Independent Non-executive Directors					
Prof. Lam Sing Kwong Simon	30	–	–	–	30
Mr. Law Yiu Sing	7	–	–	–	7
Ms. Wong Wai Ling	30	–	–	–	30
Ms. Lee Suk Fong	77	–	–	–	77
Mr. Tsang Wai Wa	46	–	–	–	46
Mr. Bai Hong Hai	72	–	–	–	72
Mr. Chan Kam Wah	72	–	–	–	72
Mr. Liu Ping	120	–	248	–	368
Total for 2016	607	3,769	5,208	43	9,627

During the year ended 31 December 2017, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 December 2017 (2016: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

Notes:

1 Resigned on 31 May 2017

2 Appointed on 17 February 2017

3 Appointed on 17 February 2017 and resigned on 10 November 2017

4 Appointed on 17 February 2017

5 Appointed on 17 February 2017

6 Resigned on 31 May 2017

7 Resigned on 31 May 2017

8 Appointed on 17 February 2017 and resigned on 24 August 2017

9 Appointed on 24 August 2017

10 Resigned on 10 March 2017

11 Appointed on 17 February 2017

12 Appointed on 17 February 2017 and resigned on 24 August 2017

13 Appointed on 24 August 2017

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2016: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2016: two) individuals, two of them falling within the band of HK$1,500,001 to HK$2,000,000 and the remaining one falling within the band of HK$2,000,001 to HK$2,500,000 (2016: one of them falling within the band of HK$1,000,001 to HK$1,500,000 and the other individuals falling within the band HK$2,000,001 to HK$2,500,000), for the year, are set out below:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	352	745
Share-based payments	5,594	2,759
Retirement benefits scheme contributions	41	23
	5,987	3,527

Save as disclosed above, for the two years ended 31 December 2017 and 2016, no other emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group.

15. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2017 (2016: nil).

16. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$18,138,000 (2016: loss attributable to owners of the Company of approximately HK$68,092,000) and the weighted average number of ordinary shares of 831,008,000 (2016: 686,639,000) in issue during the year.

Diluted earnings/(loss) per share

There are no potential ordinary shares for the year ended 31 December 2017 and the effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2016.

17. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Decoration HK$'000	Office equipment HK$'000	Total HK$'000
Cost						
At 1 January 2016	36,304	1,647	9,687	4,071	64	51,773
Additions	4,155	14	–	3,885	543	8,597
At 31 December 2016 and 1 January 2017	40,459	1,661	9,687	7,956	607	60,370
Additions	3,972	52	475	7,354	817	12,670
Disposal	–	–	(267)	–	–	(267)
Written off	–	–	–	(3,885)	–	(3,885)
At 31 December 2017	44,431	1,713	9,895	11,425	1,424	68,888
Accumulated depreciation						
At 1 January 2016	25,520	1,629	6,712	3,727	18	37,606
Charge for the year	4,804	5	963	233	91	6,096
At 31 December 2016 and 1 January 2017	30,324	1,634	7,675	3,960	109	43,702
Charge for the year	4,784	9	917	672	236	6,618
Disposal	–	–	(267)	–	–	(267)
Write back on written-off	–	–	–	(453)	–	(453)
Exchange differences	–	–	–	2	3	5
At 31 December 2017	35,108	1,643	8,325	4,181	348	49,605
Net book value						
At 31 December 2017	9,323	70	1,570	7,244	1,076	19,283
At 31 December 2016	10,135	27	2,012	3,996	498	16,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

18. GOODWILL

	HK$'000
Cost:	
At 1 January 2016	–
Arising on acquisition of subsidiaries (note 11)	52,665
At 31 December 2016 and 1 January 2017	52,665
Arising on acquisition of a subsidiary (note 11)	1,939
At 31 December 2017	54,604
Accumulated impairment losses:	
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Impairment loss recognised in the current year	21,910
At 31 December 2017	21,910
Carrying amount	
At 31 December 2017	32,694
At 31 December 2016	52,665

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2017 HK$'000	2016 HK$'000
Prestressed high strength concrete piles ("CGU A")	**30,755**	52,665
Provision of insurance brokerage and consultancy service ("CGU B")	**1,939**	–
	32,694	52,665

CGU A

The recoverable amounts of CGU A is determined by the CGU's fair value less costs of disposal. Reference to the announcement dated 13 March 2018, the Group has entered into a disposal agreement ("Disposal Agreement") on disposal of 51% of the issued shares capital of Mansion Point and its subsidiaries to an independent third party with the consideration of HK$30,755,000 ("Disposal"). At 31 December 2017, before impairment testing, goodwill of approximately HK$52,655,000 was allocated to CGU A. Due to the Disposal, impairment losses on goodwill of CGU A of approximately HK$21,910,000 has been recognised for the year ended 31 December 2017.

18. GOODWILL (Continued)

CGU B

The recoverable amounts of CGU B is determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 16.7% (2016: N/A). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's provision of insurance brokerage and consultancy service activities is 14% (2016: N/A).

19. INTANGIBLE ASSETS

	Internally generated technology HK$'000
Cost:	
At 1 January 2016	–
Additions during the year	5,880
At 31 December 2016, 1 January 2017 and 31 December 2017	5,880
Accumulated amortisation and impairment losses:	
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Charge for the year	1,470
At 31 December 2017	1,470
Carrying amount	
At 31 December 2017	4,410
At 31 December 2016	5,880

The Group's internally generated technology represents the technology for the design and specification of the Group's LED Cultivation Cabinet products. The average remaining amortisation period of the internally generated technology is 4 years (2016: 4 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

20. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials and consumables	**2,687**	248

21. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**79,560**	69,545
Less: allowance for impairment of trade receivables	**(428)**	(23,287)
Trade receivables, net	**79,132**	46,258
Retention receivables	**4,634**	2,966
Less: allowance for impairment of retention receivables	**(75)**	(84)
Retention receivables, net	**4,559**	2,882
Prepayments and trade deposits	**57,568**	51,087
Other deposits and receivables	**7,988**	1,702
	149,247	101,929

The Group allows an average credit period of 45 days to its trade customers. The following is ageing analysis of trade receivables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 - 30 days	**23,720**	18,166
31 - 60 days	**16,572**	6,708
61 - 90 days	**2,907**	4,785
91 - 365 days	**32,890**	13,531
Over 365 days	**3,043**	3,068
	79,132	46,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

21. TRADE AND OTHER RECEIVABLES (Continued)

As of 31 December 2017, trade receivables of approximately HK$44,491,000 (2016: HK$24,461,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 HK$'000	2016 HK$'000
0 - 30 days	5,650	7,677
31 - 60 days	10,366	4,247
61 - 90 days	17,136	1,954
91 - 365 days	8,348	7,807
Over 365 days	2,991	2,776
	44,491	24,461

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000
Equity securities, at fair value listed in Hong Kong	51,030

23. BANK AND CASH BALANCES

As at 31 December 2017, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$1,127,000 (2016: HK$119,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

At the end of the reporting period, bank and cash balances comprise cash held by the Group and short-term bank deposits with an original maturity period of three months or less. Bank balance carried interest at market rates ranging from 0.001% to 0.35% per annum (2016: 0.001% to 0.35%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

24. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables	**7,205**	15,791
Accruals	**1,082**	2,735
Other payables	**4,979**	2,069
	13,266	20,595

Note:

Payment terms granted by suppliers are 30 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	2017	2016
	HK$'000	HK$'000
0 - 30 days	**4,674**	10,229
31 - 60 days	**85**	28
Over 90 days	**2,446**	5,534
	7,205	15,791

25. LOAN FROM A FORMER DIRECTOR

Loan from a former director was an interest-bearing portion of HK$40,000,000 which was unsecured, interest bearing at 5% per annum and repayable on 25 November 2017.

The management is still in progress on negotiating with the former director on the renewal of the loan from a former director with the interest of 5% per annum remain unchanged and repayable on demand.

26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Accelerated tax depreciation
	HK$'000
At 1 January 2016	1,431
Credited to profit or loss *(Note 12)*	(593)
At 31 December 2016 and 1 January 2017	838
Charged to profit or loss *(Note 12)*	**77**
At 31 December 2017	**915**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

27. SHARE CAPITAL

	Note	Number of ordinary shares	Ordinary shares HK$'000
Authorised:			
Ordinary shares of HK$0.01 each:			
As at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017		**2,000,000,000**	**20,000**

	Note	Number of shares	Ordinary shares HK$'000
Issued and fully paid:			
Ordinary shares of HK$0.01 each:			
As at 1 January 2016		620,000,000	6,200
Issue of shares on placement		90,000,000	900
Issue of shares on acquisition of subsidiaries		50,000,000	500
As at 31 December 2016 and 1 January 2017		**760,000,000**	**7,600**
Issue of shares on placement	(a)	**80,898,000**	**809**
Issue of shares upon exercise of share options	(b)	**88,809,000**	**888**
As at 31 December 2017		**929,707,000**	**9,297**

Notes:

(a) Completion of the share placement took place on 25 October 2017 pursuant to which 80,898,000 placement shares were issued under the placement agreement at the placement price of HK$0.5 per placing share at an aggregate consideration of approximately HK$40,449,000, of which approximately HK$809,000 was credited to share capital and the remaining balance of approximately HK$38,221,000 (net of issuing expenses of approximately HK$1,419,000) was credited to share premium. Details of the placement were set out in the Company's announcements dated 5 September 2017, 7 September 2017 and 27 September 2017.

(b) During the year ended 31 December 2017, the subscription rights attaching to 12,400,000, 26,200,000, 10,380,000 and 39,829,000, respectively, share options were exercised at the subscription price of HK$0.83, HK$0.48, HK$0.8 and HK$0.626, respectively per share (note 29), resulting in the issue of 88,809,000 additional ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$56,105,000. Also, approximately HK$19,412,000 was transferred from share option reserve to share premium. In result, HK$888,000 was credited to share capital and HK$74,629,000 were credited to share premium respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position

	2017 HK$'000	2016 HK$'000
Non-current assets		
Property, plant and equipment	**11**	16
Investments in subsidiaries	**41,514**	63,424
	41,525	63,440
Current assets		
Trade and other receivables	**3,521**	836
Amounts due from subsidiaries	**196,956**	78,770
Bank and cash balances	**354**	194
	200,831	79,800
Current liabilities		
Trade and other payables	**1,510**	788
Amounts due to subsidiaries	**–**	10,360
	1,510	11,148
Net current assets	**199,321**	68,652
Total assets less current liabilities	**240,846**	132,092
Non-current liabilities		
Contingent consideration	**–**	21,889
NET ASSETS	**240,846**	110,203
EQUITY		
Capital and reserves		
Share capital	**9,297**	7,600
Reserve (Note b)	**231,549**	102,603
Total equity	**240,846**	110,203

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement

	Share Premium HK$'000	Share-based payment reserve HK$'000	Special reserve HK$'000 (Note)	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
Balance as at 1 January 2016	34,025	–	30,577	8,301	72,903
Loss for the year	–	–	–	(66,570)	(66,570)
Issue of shares on placement	63,247	–	–	–	63,247
Issue of shares for acquisition of subsidiaries	20,000	–	–	–	20,000
Share-based payments	–	13,023	–	–	13,023
Lapse of share option	–	(1,736)	–	1,736	–
Balance as at 31 December 2016	117,272	11,287	30,577	(56,533)	102,603
Balance as at 1 January 2017	**117,272**	**11,287**	**30,577**	**(56,533)**	**102,603**
Profit for the year	**–**	**–**	**–**	**16,428**	**16,428**
Issue of shares on placement	**38,221**	**–**	**–**	**–**	**38,221**
Issue of shares upon exercise on share options	**74,629**	**(19,412)**	**–**	**–**	**55,217**
Share-based payments	**–**	**19,080**	**–**	**–**	**19,080**
Lapse of share options	**–**	**(248)**	**–**	**248**	**–**
Balance as at 31 December 2017	**230,122**	**10,707**	**30,577**	**(39,857)**	**231,549**

Note: Special reserve represents the difference between the fair value of the shares of Ultimate Expert acquired pursuant to the Reorganisation on 8 May 2014 over the nominal value of the Company's share issued in exchange therefore.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 2 August 2014, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 0.1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

29. SHARE OPTION SCHEME (Continued)

The following tables disclose the movements in the Company's number of share options during the years:

2017

		Outstanding at 1 January 2017	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 31 December 2017	Grant date	Vesting Period	Exercisable period	Exercise price
Directors										
Ms. Che XiaoYan	2016A	6,200,000	–	(6,200,000)	–	–	14 June 2016	14 June 2016-15 June 2016	15 June 2016-14 June 2026	HK$0.83
Mr. Liu Zhong Ping*	2016A	6,200,000	–	–	–	6,200,000	14 June 2016	14 June 2016-15 June 2016	15 June 2016-14 June 2026	HK$0.83
Mr. Liu Ping	2016A	620,000	–	–	(620,000)	–	14 June 2016	14 June 2016-15 June 2016	15 June 2016-14 June 2026	HK$0.83
Ms. Che XiaoYan	2017B	–	8,089,800	(8,089,800)	–	–	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Mr. Li Shun Min	2017B	–	8,089,800	(8,089,800)	–	–	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Mr. Guan Jin Cheng	2017B	–	8,089,800	–	–	8,089,800	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Mr. Man Wai Lun	2017B	–	8,089,800	–	–	8,089,800	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Ms. Jiao Fei	2017B	–	3,089,800	(3,089,800)	–	–	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Ms.Yang Nina#	2017B	–	3,089,800	(3,089,800)	–	–	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Ms. Wu Chun Ping**	2017B	–	8,089,800	–	–	8,089,800	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Sub-total		13,020,000	46,628,600	(28,559,200)	(620,000)	30,469,400				
Consultant	2016A	6,200,000	–	(6,200,000)	–	–	14 June 2016	14 June 2016-15 June 2016	14 September 2016-13 June 2026	HK$0.83
Consultant	2017B	–	8,000,000	–	–	8,000,000	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Other employee	2016B	20,000,000	–	(20,000,000)	–	–	26 August 2016	26 August 2016- 26 November 2026	26 November 2016-26 August 2026	HK$0.48
Other employee	2016B	6,200,000	–	(6,200,000)	–	–	26 August 2016	26 August 2016-26 November 2026	27 August 2016-26 August 2026	HK$0.48
Other employee	2017A	–	4,380,000	(4,380,000)	–	–	27 March 2017	27 March 2017-28 March 2017	28 March 2017-27 March 2027	HK$0.80
Other employee	2017A	–	6,000,000	(6,000,000)	–	–	27 March 2017	27 March 2017-28 March 2017	28 March 2017-27 March 2027	HK$0.80
Other employee	2017B	–	6,179,600	(6,179,600)	–	–	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Other employee	2017B	–	10,179,600	(5,089,800)	–	5,089,800	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Other employee	2017B	–	6,200,400	(6,200,400)	–	–	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Other employee	2017B	–	3,709,800	–	–	3,709,800	15 June 2017	15 June 2017-16 June 2017	16 June 2017-15 June 2027	HK$0.63
Total		45,420,000	91,278,000	(88,809,000)	(620,000)	47,269,000				

* Resigned on 31 May 2017
\# Resigned on 10 November 2017
** Resigned on 24 August 2017

29. SHARE OPTION SCHEME (Continued)

2016

		Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 31 December 2016	Grant date	Vesting Period	Exercisable period	Exercise price
Directors										
Ms. Che XiaoYan	2016A	-	6,200,000	-	-	6,200,000	14 June 2016	14 June 2016-15 June 2016	15 June 2016-14 June 2026	HK$0.83
Mr. Liu Zhong Ping	2016A	-	6,200,000	-	-	6,200,000	14 June 2016	14 June 2016-15 June 2016	15 June 2016-14 June 2026	HK$0.83
Mr. Liu Ping	2016A	-	620,000	-	-	620,000	14 June 2016	14 June 2016-15 June 2016	15 June 2016-14 June 2026	HK$0.83
Sub-total		-	13,020,000	-	-	13,020,000				
Consultant	2016A	-	6,200,000	-		6,200,000	14 June 2016	14 June 2016-15 June 2016	14 September 2016- 13 June 2026	HK$0.83
Other employee	2016A	-	6,200,000	-	(6,200,000)	-	14 June 2016	14 June 2016-15 June 2016	15 June 2016-14 June 2026	HK$0.83
Other employees	2016B	-	20,000,000	-		20,000,000	26 August 2016	26 August 2016-26 November 2026	26 November 2016-26 August 2026	HK$0.48
Other employee	2016B	-	6,200,000	-		6,200,000	26 August 2016	26 August 2016-26 November 2026	27 August 2016-26 August 2026	HK$0.48
Total		-	51,620,000	-	(6,200,000)	45,420,000				

The options outstanding at the end of the year have a weighted average remaining contractual life of 9.46 years (2016: 9.56 years).

These fair values were calculated using the binominal option pricing model. The inputs into the model are as follows:

	2017A	2017B
Valuation date	**27/3/2017**	15/6/2017
Expected volatility	**52.18%**	52.14%
Expected life	**10 years**	10 years
Risk free rate	**1.714%**	1.326%
Expected dividend yield	**0%**	0%
Underlying stock price	**HK$0.80**	HK$0.62

29. SHARE OPTION SCHEME (Continued)

	2016A	2016B
Valuation date	14/6/2016	26/8/2016
Expected volatility	52.21%	51.90%
Expected life	10 years	10 years
Risk free rate	1.082%	0.912%
Expected dividend yield	0%	0%
Underlying stock price	HK$0.800	HK$0.480

Share options granted to consultant were incentives for helping the Group to provide professional advice in relation to the business and the operation of the Group. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

The Binomial Tree Option Pricing Model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Binomial Tree Option Pricing Model does not necessarily provide a reliable measure of the fair value of the share options.

30. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2017

(a) On 7 July 2017, the Group further acquired 49% of the issued share capital in a 51% of Success China Creation Limited from the non-controlling shareholders at nil consideration. The effect of the acquisiton on the equity attributable to the owners of the Company is loss on acquisition recognised directly in equity of approximately HK$1,672,000.

For the year ended 31 December 2016

(a) On 8 November 2016, the Group acquired 51% of the issued share capital of Mansion Point and its subsidiaries including 南靖高科 for a total agreement consideration of HK$66,000,200 which comprised a cash consideration HK$11,600,000 and 142,000,000 ordinary shares (the "Consideration Shares") of the Company at HK$0.3831. 50,000,000 Consideration Shares have been allotted and issued during the year. Under the contingent consideration arrangement, 42,000,000 and 50,000,000 of the Consideration Shares (the "Second and Third Installment") will be allotted and issued within fifteen days after the announcement of annual results of the Company for the year ending 31 December 2017 and 31 December 2018 respectively. The Second and Third Installment will be adjusted subject to the audited net profit of 南靖高科 for the years ended 31 December 2017 and 31 December 2018 respectively.

31. OPERATING LEASE COMMITMENTS

The Group leases a number of properties under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 **HK$'000**	2016 HK$'000
No later than one year	**8,499**	2,020
Later than one year and no later than five years	**13,642**	1,332
	22,141	3,352

32. RELATED PARTY TRANSACTIONS (Continued)

(a) The directors of the Company are of the view that the following company that had transactions or balances with the Group is related party:

Name	Relationship with the Group
Grandwin Worldwide Resource Limited	A related company controlled by Mr. Pei, Wing Fu, the former director resigned on 1 October 2016

(b) Transactions with related parties

There were no other related party transactions and balances except for those disclosed elsewhere in the consolidated financial statements.

	2017 **HK$'000**	2016 HK$'000
Operating lease rental expense on premises paid to: *(Note i)*		
Grandwin Worldwide Resource Limited	**–**	96
Interest on loan from a former director paid to:		
Mr. Pei Wing Fu	**2,006**	1,992

Note:

(i) In the opinion of the directors, these transactions were entered into in the normal course of business at mutually agreed prices and terms.

(c) Compensation of key management personnel

The emoluments of the Company's Directors, who are also identified as members of key management of the Group, are set out in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follow:

Name	Place of incorporation	Issued and paid-up share capital	Percentage of ownership interest/ voting power		Principal activities and place of operation
			Direct	Indirect	
Ultimate Expert Holdings Limited	BVI	USD2,000	100%	–	Investment holding in Hong Kong
Leisure Peace Limited	BVI	USD1	100%	–	Investment holding in Hong Kong
Drillcut Limited	Hong Kong	HK$5,000,000	–	100%	Provision of concrete demolition in Hong Kong
Forever Rise Investment Limited	Hong Kong	HK$1	–	100%	Trading of LED light source for decoration in Hong Kong
深圳市億平米農業科技發展有限公司	PRC	RMB20,000,000	–	51%	Research and sales of hydroponics products in the PRC
南靖高科建材有限公司	PRC	USD300,000	–	51%	Manufacturing and sales of prestressed high strength concrete piles in the PRC
Hong Kong Yuanfeng Insurance Brokers Limited	Hong Kong	HK$3,050,000	–	60%	Provision of Insurance brokerage and consultancy services
鄂爾多斯市智華清潔能源有限公司	PRC	RMB1,020,000	–	51%	Trading of clean coal

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Loan from a former director HK$'000
At 1 January 2016	55,000
Changes in cash flows	(5,000)
At 31 December 2016 and 1 January 2017	50,000
Changes in cash flows	(10,000)
At 31 December 2017	40,000

35. EVENT AFTER THE REPORTING PERIOD

Reference to the announcement dated 13 March 2018, the Group has entered into a disposal agreement ("Disposal Agreement") on disposal of 51% of the issued share capital of Mansion Point and its subsidiaries to an independent third party with the cash consideration of HK$30,755,000.

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authoised for issue by the Board of Directors on 29 March 2017.

FINANCIAL SUMMARY

For the year ended 31 December 2017

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this annual report and the prospectus of the Company dated 7 August 2014, is as follows.

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	183,283	128,964	90,260	89,392	74,394
Cost of sales	(154,632)	(101,504)	(59,627)	(57,662)	(47,014)
Gross profit	28,651	27,460	30,633	31,730	27,380
Other income and net gains	101,922	542	393	1,097	143
Administrative and other operating expenses	(111,719)	(93,006)	(17,055)	(24,304)	(14,606)
Operating profit/(loss)	18,854	(65,004)	13,971	8,523	12,917
Finance costs	(2,006)	(1,998)	(308)	(335)	(381)
Profit/(loss) before income tax	16,848	(67,002)	13,663	8,188	12,536
Income tax expense	(1,016)	(2,241)	(3,049)	(3,366)	(2,706)
Profit/(loss) for the year	15,832	(69,243)	10,614	4,822	9,830
Attributable to:					
Owners of the Company	18,138	(68,092)	10,614	4,822	9,830
Non-controlling interests	(2,306)	(1,151)	–	–	–
	15,832	(69,243)	10,614	4,822	9,830
Asset and liabilities					
Total assets	295,527	204,087	146,783	82,282	42,053
Total liabilities	(54,181)	(93,884)	(65,190)	(11,303)	(26,921)
Net assets	241,346	110,203	81,593	70,979	15,132
Attributable to:					
Owners of the Company	242,266	111,188	81,593	70,979	15,132
Non-controlling interests	(920)	(985)	–	–	–
	241,346	110,203	81,593	70,979	15,132

The financial summary does not form part of the audited consolidated financial statements.